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KNBS
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Keeping you informed

ECONOMIC SURVEY 2012



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Foreword

The Economic Survey is an annual publication of the Kenya National Bureau of Statistics (KNBS). It presents socio-economic highlights of the economy for the last five years. The report forms an important source of input into the budgeting process, planning, monitoring and policy formulation. processes.

Vision

The Vision of the Bureau is "to be a centre of excellence in statistics production and management"

Mission

The mission of the Bureau is "to effectively manage and cordinate the entire Nationl Statistical System to enhance Statistical Production and Utilization".

Mandate

The KNBS is a Semi Autonomous Government Agency (SAGA) mandated by law (Statistics Act 2006) to collect, analyze and disseminate socio-economic statistics needed for planning and policy formulation in the country.

The Organization

The Kenya National Bureau of Statistics comprises of six Directorates namely;
Production Statistics
Macroeconomic Statistics
Strategy and Development
Finance and Administration
Population and Social Statistics
Information and Communication Technology

Teamwork

Together with users and producers of data we are committed to face challenges and opportunities of the 21st Century.

Director General
Kenya National Bureau of Statistics

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List of Acronyms

ADB	African Development Bank
ADF	African Development Fund
ADNOC	Abu Dhabi National Oil Corporation
AG	Attorney General
AGOA	African Growth and Opportunity Act
ATIA	African Trade Insurance Agency
AIA	Appropriation In Aid
AIDS	Acquired Immuno-Defficiency Syndrome
API	American Petroleum Institute
ASALs	Arid and Semi-Arid Lands
ASEAN	Association of South Eastern Asia Nations
BCG	Bacillus Calmete Guérin
BEC	Broad Economic Category
BIS	Bank for International Settlement
BoP	Balance of Payments
BH	Boreholes
BRICS	Brazil, Russia, India, China and South Africa
CBIK	Centre for Business Information in Kenya
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CBR	Crude Birth Rate
CCK	Communications Commission of Kenya
CDF	Constituency Development Fund
CDKN	Climate and Development Knowledge Network
CDMA	Code Division Multiple Access
CEMAC	Economic and Monetary Union of Central Africa
CHE	Commission for Higher Education
CIC	Co-orporative Insurance Company
C.I.F	Cost, Insurance and Freight
CMA	Capital Markets Authority
COFOG	Classification of Functions of Government
COICOP	Classification of Individual Consumption by Purpose
COMESA	Common Market for Eastern and Southern Africa
COMSEC	Commonwealth Secretariat
COP 15	15th Conferences of the Parties
CPE	Certificate of Primary Education
CPI	Consumer Price Index
CRB	Credit Reference Bureau
CRR	Cash Reserve Ratio
CTDLT	Catering and Training Development Levy Trustee
DAP	Daily Average Population
DBK	Development Bank of Kenya
DfID	Department for International Development
DPM	Directorate of Personnel Management

DPT	Diphtheria Pertussis Tetanus
DPP	Director of Public Prosecution
DSA	Debt Sustainability Analysis
DSOs	District Statistical Officers
DTOs	District Tourism Officers
DVB – H	Digital Video Broadcasting – Handheld
DWT	Dead Weight Tonnes
EAC	East African Community
EACC	Ethics and Anticorruption Commission
EAs	Environmental Audit
ECD	Early Childhood Development
ECF	Extended Credit Facility
ECK	Electoral Commission of Kenya
EEC	European Economic Commission
EFT	Electronic Funds Transfer
EIB	European Investment Bank
EMS	Expedited Mail Services
EPC	Export Promotion Council
EPP	Emergency Power Producers
EPVs	Export Production Villages
EPVs	Export processing Villages
EPZ	Export Processing Zone
EPZA	Export Processing Zone Authority
ESF	Exogenous Shocks Facility
ESP	Economic Stimulus Package
EU	European Union
FAL	Foreign Assets and Liabilities
FBS	Food Balance Sheet
FCDs	Foreign Currency Deposits
FDEI	Foreign Direct Equity Investment
FDI	Foreign Direct Investment
FIC	Full Immunization Coverage
FIS	Foreign Investment Survey
FM	Frequency Modulation
F.O.B	Free-On-Board
FONN	Fibre Optic National Network
FOSA	Front Office Savings Activities
FPE	Free Primary Education
FTSE	Free Tuition Secondary Education
GDC	Geothermal Development Company
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GFCF	Gross Fixed Capital Formation
GNDI	Gross National Disposal Income
GNI	Gross National Income

GNR	General Fertility Rate
GOB	Gross Operating Balance
GoK	Government of Kenya
GPI	Gross Premium Income
GSM	Global System for Mobile Communication
GVA	Gross Value Added
GWH	Giga Watts per Hour
H1N1	Hemaglutinin Type1 and Neuraminidase Type1(Swine Flu)
HELB	Higher Education Loans Board
HIV	Human Immuno deficiency Virus
IBRD	International Bank for Reconstruction & Development
ICDC	Industrial and Commercial Development Corporation
ICEA	Insurance Company of East Africa
ICT	Information, Communication and Technology
ID	Identity Card
IDA	International Development Agency
IDB	Industrial Development Bank
IDR	Import Dependency Ratio
IEPA	Interim Economic Partnership Agreement
IFAD	International Fund for Agricultural Development
IIEC	Interim Independent Electoral Commission
IEBC	Independent Electoral and Boundaries Commission
IIP	International Investment Position
IIBC	Interim Independent and Boundaries Commission
ILO	International Labour Organisation
IMF	International Monetary Fund
IMTS	International Manual on Trade Statistics
IPO	Initial Public Offer
IPP	Independent Power Producers
IPT	Intermittent Preventive Treatment
IRA	Insurance Regulatory Authority
ISIC REV 4	International Standard of Industrial Classification Revision 4
ISPs	Internet Service Providers
IT	Information Technology
ITN	Insecticide Treated Mosquito Net
ITU	International Telecommunication Union
IUD	Intra-Uterine Devices
JAB	Joint Admissions Board
JICA	Japan International Co-operation Agency
JKIA	Jomo Kenyatta International Airport
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KACC	Kenya Anti-Corruption Commission
KAPU	Kenya Airports Police Unit
KARI	Kenya Agricultural Research Institute
KBC	Kenya Broadcasting Corporation
KCB	Kenya Commercial Bank

KCE	Kenya Certificate of Education
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
KDHS	Kenya Demographic and Health Survey
KeNHA	Kenya National Highways Authority
KenInvest	Kenya Investment Authority
KeRRA	Kenya Rural Roads Authority
KESSP	Kenya Education Sector Support Programme
KETRACO	Kenya electricity Transmission Company
KFS	Kenya Forestry Service
KIE	Kenya Industrial Estates
KIHBS	Kenya Integrated Household Budget Survey
KJSE	Kenya Junior Secondary Education
KKV	Kazi Kwa Vijana
KLGRP	Kenya Local Government Reform Programme
KMTC	Kenya Medical Training College
KNBS	Kenya National Bureau of Statistics
KNCPC	Kenya National Cleaner Production Centre
KOSF	Kipevu Oil Storage Facility
KPC	Kenya Pipeline Company
KPLC	Kenya Power and Lightening Company
KPRL	Kenya Petroleum Refineries Limited
KRA	Kenya Revenue Authority
KRB	Kenya Roads Board
KTDC	Kenya Tourism Development Corporation
KUC	Kenya Utalii College
KURA	Kenya Urban Roads Authority
KW	Kilowatts
KWS	Kenya Wildlife Service
LAIFOMS	Local Authority Integrated Financial Operation Management Systems
LAM	Lactational Amenorrhea Method
LATF	Local Authority Transfer Fund
LFS	Labour Force Survey
LPG	Liquefied Petroleum Gas
LTM	Long Term Means
M1	Narrow Money Supply
M2	Broad Money Supply (Money supplied by CBK, Commercial banks & NBFIs)
M3	Broad Money Supply (M2 plus Foreign Currency Holding by Residents
MAM	March-April-May
MCH	Maternal and Child Health
MDER	Minimum Dietary Energy Requirement
MDGs	Millennium Development Goals
MDP	Management Development Programme
MG	Metre Gauge
MIA	Moi International Airport
MNP	Mobile Number Portability

MoA	Ministry of Agriculture
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoHEST	Ministry of Higher Education Science and Technology
MoLG	Ministry of Local Government
MoR	Ministry of Roads
MoT	Ministry of Transport
MPC	Monetary Policy Committee
MTEF	Medium Term Expenditure Framework
MPIs	Import Price Indices
MTP	Medium Term Plan
MW	Mega Watt
MWI	Ministry of Water and Irrigation
NBFIs	Non Bank Financial Institutions
NCAJ	National Council on Administration of Justice
NCC	Nairobi City Council
NCCRS	National Climate Change Response Strategy
NCPB	National Cereals and Produce Board
NEMA	National Environmental Management Authority
NER	Net Enrolment Rate
NFA	Net Foreign Assets
NFE	Non Formal Education
NFS	Non Formal Schools
NHC	National Housing Corporation
NHIF	National Hospital Insurance Fund
NIP	National Incomes Policy
NIB	National Irrigation Board
NPA	National Plan of Action
NPSC	National Police Service Commission
NSE	Nairobi Stock Exchange
NSSF	National Social Security Fund
NWCPC	National Water Corporation and Pipeline Corporation
NYS	National Youth Service
OC	Other Capital
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
OI	Other Investment
OMO	Open Market Operations
OND	October, November, December
OPEC	Organization of Petroleum Exporting Countries
OVC	Orphans and Vulnerable Children
P.I	Portfolio Investment
PCK	Postal Corporation of Kenya
PCR	Pupil Completion Rate
PEV	Post Election Violence
PPPs	Public Private Partnerships

PS	Permanent Secretary
PSDA	Private Sector Development Authority
PSED	Private Sector External Trade
PSVs	Public Service Vehicles
PTR	Pupil Teacher Ratio
PV	PhotoVoltaic
RBA	Retirement Benefits Authority
RBS	Risk Based Supervision
REA	Rural Electrification Authority
REP	Rural Electrification Programme
RICS	Road Inventory and Condition Survey
RMLF	Roads Maintenance Levy Fund
RSI	System of Rice Intensification
RVR	Rift Valley Railways
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Education Quality
SADC	Southern Africa Development Community
SAGA	Semi Atonomous Government Authority
SCMP	Sub-Catchment Management Plans
SDRs	Special Drawing Rights
SCAA	Specialty Coffee Association of America
SEACOM	Sea Submarine Communications
SEEP	Small Enterprise Education Programme
SEZ	Special Economic Zones
SG	Standard Gauge
SITC	Standard International Trade Classification
SMS	Short Message Service
SPF	Social Protection Fund
SSA	Sub-Sahara Africa
SSR	Self Sufficiency Ratio
STIs	Sexually Transmitted Infections
TEAMS	The East Africa Marine System
TEUs	Twenty (-) Foot Equivalent Units
TFR	Total Fertility Rate
TIVET	Technical Industrial and Vocational Educational Training
TLB	Transport Licensing Board
TOT	Total Rainfall
TSA	Tourism Satellite Account
TSC	Teachers Service Commission
TV	Television
TWI	Trade Weighted Index
UAE	United Arab Emirates
UK	United Kingdom
UNFCC	United Nations Framework on Climate Change
UNIDO	United Nations Industrial Development Organization
UoN	University of Nairobi
UPE	Universal Primary Education

US$/BBL	US Dollar per Barrel
USA	United States of America
VAT	Value Added Tax
VCT	Voluntary Counseling and Testing
WAEMU	West African Economic and Monetary Union
WEF	Women Enterprice Fund
WHO	World Health Organisation
WPP	Water Purification Points
WRUA	Water Resource Users Associations

Summary and Outlook

International Scene

World real GDP growth is estimated at 3.8 per cent in 2011 compared to a growth of 5.0 per cent in 2010. This was due to crisis in the Euro area, high oil prices and inflationary pressure in many emerging and developing economies. There was a slowed growth in world trade estimated at 6.7 per cent in 2011 compared to 12.6 per cent in 2010. Global labour market conditions remained fragile in 2011 due to inadequate economic growth in many countries across the world. The slowed global output growth did not raise incomes and employment opportunities to meet the needs of households given the high inflation that prevailed in most economies.

The Great East Japan earthquake impacted negatively not only on Japan's economy but also on the economy of United States of America. This was as a result of supply chain disruptions to the manufacturing sector curtailing industrial production and consumer spending.

The OECD economies recorded slow growth in real GDP at 1.9 per cent in 2011 compared to an increase of 3.1 per cent in 2010 on account of a deepening crisis in the Euro area. Real GDP growth in Sub-Saharan Africa (SSA) was estimated at 5.2 per cent in 2011 compared to 5.4 per cent in 2010. The slight drop was attributed to a rise in production costs due to high oil prices and inflation in non-oil producing countries in the region. Real GDP of East African Community (EAC) expanded by 5.9 per cent in 2011 compared to 5.8 per cent in 2010.

Domestic Economy

The economy's Gross Domestic Product (GDP) is estimated to have expanded by 4.4 per cent in 2011 which was a slower growth compared to a revised growth of 5.8 per cent in 2010. High oil and food prices as well as unfavourable weather conditions in some parts of the country were the major causes that restrained growth during the year. Instability in the foreign exchange market experienced during the second half of 2011 further exacerbated the situation by suppressing economic activities.

The main drivers of the growth were activities of the wholesale and retail trade and transport and communication with respective contributions of 17.4 and 12.7 per cent to the growth during the period under review. Electricity and water was the only sector that weighed down the growth when its contribution shrunk by 1.3 per cent during the review period.

From the demand side, private final consumption constituted the bulk of the GDP while investments and government final consumption accounted for almost equal measures. Share of gross fixed capital formation to GDP slowed down to 20.1 per cent of GDP in 2011 from 20.3 per cent in 2010. There was a buildup of inventories during the review period occasioned by unmatched demand for the supply as the effects of high cost of borrowing were felt by consumers.

Social Scene

Total government expenditure in the social sector is expected to rise by 10.5 per cent from KSh 260.6 billion in the 2010/11 financial year to KSh 288.0 billion in 2011/12 financial year. Recurrent budget for the Ministry of Education is expected to increase by 11.1 per cent while development budget for university education will more than double from KSh 3.0 billion in 2010/11 financial year to KSh 7.4 billion in 2011/12 financial year. In the review period, enrolment at the university, secondary, primary and pre-primary of education

increased by 11.6, 5.9, 5.3, and 9.1 per cent, respectively.

At total of 746.6 thousand births were registered in 2011 compared to 747.6 thousand in 2010. Registered deaths declined from 175.8 thousand in 2010 to 174.5 thousand in 2011. Full Immunization Coverage rate of children under one year increased marginally from 1,044,121 in 2010 to 1,050,307 in 2011. Incidences of diseases causing morbidity increased marginally from 38,262,097 in 2010 to 38,332,477 in 2011 with malaria and diseases of the respiratory system accounting for 52.7 per cent of all reported incidences of diseases in 2011.

Total receipts for the National Hospital Insurance Fund (NHIF) increased by 13.3 per cent, while the number of registered members of NHIF increased by 14.3 per cent in 2011. During the review period, allocation and direct cash disbursement for the Orphans and Vulnerable Children increased by 24.1 per cent and 16.9 per cent, respectively.

Employment, Earnings and Consumer Prices

Total employment, excluding small scale agriculture and pastoralist activities, went up by 4.7 per cent to 11,475.2 thousand in 2011. The economy created a total of 520.1 thousand new employment opportunities in both the modern and informal sectors. The modern sector created 74.2 thousand new jobs, with majority in the building and construction, energy, tourism, transport and financial services sectors. The informal sector created 445.9 thousand jobs, which constituted 85.7 per cent of all the new jobs. There was a notable increase of 8.0 per cent in the total number of self employed and unpaid family workers within the modern sector to stand at 75.4 thousand in 2011.

The nominal wage bill rose from KSh 807,900.2 million in 2010 to KSh 878,766.9 million in 2011, an increase of 8.8 per cent. The public sector wage bill went up by 11.7 per cent compared to an increase of 7.0 per cent in 2010. The private sector wage bill went up by 7.4 per cent from KSh 547,040.8 million in 2010 to KSh 587,268.9 million in 2011. Overall, annual nominal average earnings per employee, registered an increase of 5.3 per cent to KSh 413,009.7 per annum. However, there was a decline of 8.1 per cent in real average earnings per employee.

The Government increased the minimum wage by 12.5 per cent in 2011. The overall annual inflation rate increased from 4.1 per cent in 2010 to 14.0 per cent in 2011. This rise was mainly caused by the sharp rise in oil and food prices. The rise in oil prices emanated from supply disruption associated with political unrest in some of the oil producing countries, while the increase in food prices resulted mainly from weather-related supply constraints and rise in global commodity prices.

Money, Banking and Finance

The financial sector was faced with a number of challenges in 2011 that included high inflation and the "twin crises" comprising the ripple effects of the global financial crisis and the euro-zone crisis. On the domestic scene, the monetary policy was premised on the need to contain the rising cost of living that emanated from a tumultuous financial environment. On the global scene, the high international oil prices and uncertainties in Europe associated with the potential Greek debt default affected the Kenya Shilling which depreciated to an all time low. The Monetary Policy Committee (MPC) undertook a gradual tightening of monetary policy to rein in on inflationary pressures and stabilise the exchange rate by raising the Central Bank Rate (CBR) from 6.25 per cent in May 2011 to 7.00 per cent in September 2011. In addition, the Cash Reserve Ratio (CRR) was raised from 4.50 per cent to 4.75 per cent during the period to reinforce the monetary policy stance. However, following persistence of the inflationary and exchange rate pressures for longer than earlier anticipated, the MPC augmented the

tightening of monetary policy in October 2011 by raising the CBR further to 11.00 per cent and eventually to 18.00 per cent in December 2011, while the CRR was raised further to 5.25 per cent.

The upward adjustment of the CBR prompted commercial banks to raise interest rates thereby reducing liquidity in the market. Towards the end of the year, the pressure on the Kenya Shilling eased considerably and resulted in a reversal of the inflationary trend. During the review period, the weighted average interest rate for 91- day Treasury bills increased by 704 basis points to 18.30 per cent. Over the same period, the money market experienced liquidity tightness with commercial banks maintaining an average liquidity of 39.8 per cent. Performance of the stock market slowed down during the year as reflected by the Nairobi Stock Exchange (NSE) 20 Share Index that dropped by 1,228 points to stand at 3,205 points as at the end of December 2011.

Public Finance

In 2011/12, the Government in cognizance of the prevailing high cost of living adopted a fiscal stance that entailed constraining public spending through funding of potentially productive activities. In the year under review, the Government proposed to spend KSh 1,165.5 billion in 2011/12 compared to KSh 922.6 billion spent in 2010/11, representing an increase of 26.3 per cent. Total revenue is expected to improve from KSh 665.5 billion in 2010/11 to KSh 766.2 billion in 2011/12. Total outstanding public debt grew by 22.2 per cent from KSh 1,082.7 billion as at the end of June 2010 to KSh 1,322.6 billion as at the end of June 2011. Local Authorities' anticipated spending KSh 38.5 billion in 2011/12 compared to KSh 33.3 billion in 2010/11. Similarly, revenue is expected to increase by 28.0 per cent from KSh 18.9 billion in 2010/11 to KSh 24.2 billion in 2011/12. A total of KSh 17.3 billion is expected to be transferred through the Local Authority Transfer Fund (LATF) mechanism in 2011/12, compared to KSh 12.3 billion transferred in 2010/11.

International Trade and Balance of Payments

Key international trade indicators for 2011 show a widening merchandise trade deficit. Merchandise trade balance widened further from a deficit of KSh 537,412 million in 2010 to KSh 804,633 million in 2011, an increase of 49.7 per cent. The value of total exports rose by 24.7 per cent from KSh 409,794 million in 2010 to KSh 511,038 million in 2011. The value of imports grew faster than that of exports at a rate of 38.9 per cent from KSh 947,206 million in 2010 to KSh 1,315,671 million, in the same period. These developments led to a continued downward trend, with the export/import ratio declining to 38.8 per cent in 2011 from 43.3 per cent in 2010. On the other hand, following a substantial increase in the value of imports, the volume of trade expanded by 34.6 per cent in 2011 compared to 19.8 per cent growth in 2010. Tea, horticulture, articles of apparel and clothing accessories, and coffee continued to be the leading export earners, collectively accounting for 47.0 per cent of the total domestic export earnings.

Despite the overall balance of payments position recording a surplus of KSh 21,841 million in 2011 compared to a surplus of KSh 12,225 million in 2010, balance of payments position was under pressure on account of the imports bill rising to over KSh 1.3 trillion. This was attributed to rise in oil prices in the global market and depreciation of the Kenya Shilling against major currencies. The current account deteriorated from a deficit of KSh 187,677 million in 2010 to a deficit of KSh 296,024 million in 2011. This was mainly due to a widening visible trade deficit valued on free-on-board (f.o.b) basis, whereby it worsened further to stand at KSh 746,052 million in 2011. Trade in international services registered a surplus of KSh 173,913 million in 2011 up from a surplus of KSh 138,189 million recorded in 2010 partly

attributable to increases in the earnings from tourism. Current transfers recorded a surplus of KSh 275,497 million in 2011 compared to a surplus of KSh 184,393 million recorded in 2010. The capital and financial account registered a surplus of KSh 289,640 million compared to a surplus of KSh 186,001 million in 2010. This is attributed to increased capital flows into the country as a result of investment in infrastructure projects.

Agriculture

The agricultural sector performance decelerated from the 6.4 per cent recorded in 2010 to post a 1.5 per cent growth in 2011. Unfavourable weather in some regions, high cost of agricultural inputs, a weak Kenya Shilling coupled with high inflation contributed significantly to the low production and hence the slowed growth. Consequently, agriculture value added at constant prices recorded a slower growth of 1.5 per cent to stand at KSh 312,041 million in 2011. On the other hand, prices paid to farmers for the various commodities such as maize, coffee, tea, sugar cane, sisal, beef and cotton increased during the review period.

Maize production decreased by nearly one million bags to 34.4 million bags in 2011. As a result the quantity of maize imports increased by 56.5 per cent from 229.6 thousand tonnes valued at KSh 5,471.2 million in 2010 to 359.2 thousand tonnes valued at KSh 11,479.0 million in 2011. Similarly, coffee production decreased by 13.6 per cent from 42.0 thousand tonnes in 2009/10 crop year to 36.3 thousand tonnes in 2010/11. Production of tea decreased by 5.3 per cent from 399.0 thousand tonnes in 2010 to 377.9 thousand tonnes in 2011.

The volume of marketed milk increased by 6.5 per cent from 515.7 million litres in 2010 to 549.0 million litres in 2011. Exports of fresh horticultural produce contracted from 228.3 thousand tonnes in 2010 to 227.1 thousand tonnes in 2011 with the values increasing from KSh 56,993.0 million to KSh 68,123.9 million over the review period.

Environment and Natural resources

Total development expenditure on water supplies and related services is projected to grow by 14.0 per cent from KSh 31,095.3 million in 2010/11 to KSh 35,434.4 million in 2011/12, mainly as a result of increased funding to the urban and rural water supply. Total fish landings grew by 5.8 per cent to 149.0 thousand tonnes in 2011 from 140.8 thousand tonnes in 2010 mainly as a result of high production from fish farming. The quantity of minerals produced increased by 13.0 per cent from 1,496.3 thousand tonnes in 2010 to 1,690.3 thousand tonnes in 2011. The forest plantation stocking improved from 118.8 thousand hectares in 2010 to 121.7 thousand hectares in 2011 mainly due to improved management of forest resources.

Energy

The International prices for crude oil increased from an average of 79.16 US Dollars per barrel in 2010 to an average of 110.60 US Dollars per barrel in 2011. This was mainly attributed to supply disruptions due the unrest in the Middle East and North Africa and strong global demand. Domestic retail pump prices of oil products maintained an upward trend in 2011. Total domestic demand for petroleum products grew by 1.9 per cent from 3,865.7 thousand tonnes in 2010 to 3,941.6 thousand tonnes in 2011.

Domestic demand for electricity registered a growth of 9.0 per cent from 5,754.7 million KWh in 2010 to 6,273.6 million KWh in 2011.Total installed electricity capacity expanded by 8.6 per cent to 1,534.3 MW in 2011 compared to an increase of 7.7 per cent in 2010. This was mainly as a result of increases in thermal power installations. The total electricity generation went up by 8.4 per cent to 7,559.9 GWh in 2011 from 6,975.8 GWh in 2010. Hydro and thermal power jointly accounted for about 80.0 per cent of the total generation in the year under review.

The number of customers connected under the Rural Electrification programme rose by 23.2 per cent from 251,056 customers as at June 2010 from to 309,287 customers as at June 2011. Per capita energy consumption in terms of kilograms of oil equivalent declined by 2.7 per cent from 110.5 kilograms of oil equivalent per person in 2010 to 107.8 kilograms of oil equivalent per person in 2011.

Manufacturing

The manufacturing sector is estimated to have expanded by 3.3 per cent in 2011. The slow performance was mainly attributed to contractions in the food processing; leather and footwear; paper and paper products; rubber products and electrical machineries sub-sectors. The sector's growth was also hampered by soaring cost of fuel and a weak Kenya Shilling which lowered the demand for manufactured products. In addition, drought experienced during the year under review resulted in reduced availability of raw materials for the agro-based industries.

The value of manufacturing output rose by 19.8 per cent from KSh 842,506 million in 2010 to KSh 1,009,214 million in 2011. The amount of loans advanced to the manufacturing sector by industrial credit institutions dropped by 11.4 per cent to KSh 271 million in 2011 as a result of the prohibitive terms of borrowing. Sales from Export Processing Zones (EPZ) rose by 21.6 per cent from KSh 32,348 million in 2010 to KSh 39,324 million in 2011.

Building and Construction

The building and construction industry registered improved performance buoyed by the various completed and ongoing road constructions and building projects. The sector registered a decelerated growth of 4.3 per cent in 2011 compared to 4.5 per cent in 2010. The Government increased its budgetary allocation in 2011/12 to the Ministry of Roads to cater for several road works across the country. The Ministry of Road's overall expenditure is expected to rise by 34.4 per cent to KSh 82.3 billion in 2011/12 from KSh 61.2 billion in 2010/2011. Disbursement of funds by the Kenya Roads Board (KRB) on road construction, rehabilitation and maintenance activities is expected to increase by 3.0 per cent from KSh 23.4 billion in 2010/11 to KSh 24.1 billion in 2011/12.

The housing industry witnessed an increase in the value of building plans approved and completed buildings by both the private and public sectors. The total value of reported private building works completed in selected towns rose by 12.4 per cent to stand at KSh 43,125.8 million in 2011. The total estimated cost of reported new private buildings completed in selected towns went up by 16.3 per cent from KSh 36,706.4 million in 2010 to KSh 42,685.3 million in 2011. This increase was necessitated by the high demand for houses in the urban areas. The total value of building plans approved grew by 18.7 per cent from KSh 131,830.2 million in 2010 to KSh 156,456.1 million in 2011.

Cement consumption, a key indicator in building and construction, increased by 10.6 per cent from 3,104.8 thousand tonnes in 2010 to 3,433.0 thousand tonnes in 2011. Some of the projects undertaken include; Nairobi-Thika Super Highway, Eastern by-pass and the expansion of international airports. Loans and advances from commercial banks to the building and construction sector increased significantly by more than half from KSh 32,637.0 million in 2010 to KSh 50,805.0 million in 2011.

Tourism

During the review period, the tourism sector continued with its good performance despite various challenges affecting the sector. This was attributed to Government commitment in providing an enabling environment coupled with successful tourism promotion and diversification of source markets. In 2011, earnings from this sector rose to KSh 97.9 billion from KSh 73.7 billion in 2010.

International visitor arrivals increased by 13.3 per cent from 1,609.1 thousand in 2010 to 1,822.9 thousand in 2011. Bed-nights occupancy increased by 5.3 per cent from 6,662.3 thousand in 2010 to 7,015.2 thousand in 2011. Similarly, the number of local conferences grew by 18.4 per cent from 2,529 in 2010 to 2,995 in 2011 while that of international conferences grew by 21.7 per cent from 254 in 2010 to 309 in 2011. In the same period, the number of visitors to national parks and game reserves decreased from 2,764.9 thousand to 2,664.1 thousand. The number of visitors to museums, snake parks and other historical sites also recorded a 10.5 per cent drop to 843.4 thousand in 2011.

Transport, Storage and Communi -cations

In 2011, the Transport, Storage and Communications sector was characterized by improved performance. Notwithstanding the adverse effects of the depreciation of the Kenya Shilling against major world currencies, the sector gained a growth momentum partly attributed to the communications sub-sector, tourism and maritime activities. The sector's total output value rose by 14.5 per cent to stand at KSh 693.1 billion in the review period. The telecommunications industry continued to expand driven mainly by the mobile telephony market segment which registered a growth of 25.7 per cent in subscriber base to 25.3 million subscribers as at 30th June, 2011 from 20.1 million subscribers as at 30th June, 2010.

The railway transport sub-sector posted a marginal growth of 1.5 per cent in freight traffic with revenue from passenger and freight traffic streams increasing by 14.5 and 20.2 per cent, respectively, during the review period. Total throughput handled at the Port of Mombasa recorded a 5.1 per cent increase to 19,953 thousand tonnes compared to 18,977 thousand tonnes handled in 2010. Over the same period, total imports and exports handled grew by 4.3 and 8.3 per cent, respectively. In 2011, total passenger and freight traffic handled went up by 16.0 and 23.0 per cent, respectively, largely as a result of the recovery in the tourism industry. Total pipeline throughput of white petroleum products transported increased from 4,203.7 thousand cubic metres in 2010 to 4,257.4 thousand cubic metres in 2011.

Governance

In the review period, the country undertook various reforms aimed at implementing provisions of the new constitution. This included establishment of a Supreme Court, an independent Office of Public Prosecution, the National Council on Administration of Justice (NCAJ), an Independent Electoral and Boundaries Commission (IEBC), an Ethics and Anti- Corruption Commission (EACC) and a National Police Service Commission (NPSC). Key appointments including that of a new Attorney General, a Chief Justice and a Director of Public Prosecution were made.

Overall, the total number of crimes reported to the police increased by 7.0 per cent to 75,733 while the number of persons reported to have committed offences grew by 22.1 per cent from 67,362 in 2010 to 82,242 in 2011. The number of court cases reduced by 12.0 per cent from 394,557 in 2010 to 347,322 in 2011. At the same time, the prison population declined from 253,524 in 2010 to 247,166 in 2011. Though the number of corruption cases reported to Ethics and Anti-Corruption Commission increased by 21.7 per cent to 7,326 in 2011, the number of persons who committed economic crimes declined from 4,446 to 3,207 in the same period. In

the review period, the number of entry permits renewed rose to 23,498 while those issued increased to 21,383. The number of passports issued and aliens registered increased from 167,528 to 168,324 and from 17,944 to 19,034, respectively. A total of 814, 406 identity cards were processed in 2011, a 28.8 per cent rise over the 2010 levels.

Outlook Political developments in 2012, a period leading to general elections, will be a crucial determinant of the economic growth. On a positive note, the year has so far witnessed increased political campaigns and re-alignments, but economic activities across all the sectors seem fundamentally unaffected. Therefore if what the country has witnessed is anything to go by, the growth will then be mostly determined by other factors. Evolution of prices of oil and food, weather patterns and interest rates are the other likely determinants of growth in 2012.

The country experienced depressed rainfall during first quarter of 2012. Many tea growing regions suffered severe frost that led to lower output of tea. Weather forecast by the Kenya Meteorological Department (KMD) indicates that the 2012 long rains are likely to delay. The forecast also suggests that the rains will be largely sufficient in major crop growing regions while arid and semi-arid lands will experience inadequate rainfall. In light of the developments in the first quarter, the weather forecast and assuming normal short rains, the country might experience a decline in agricultural output in 2012.
Projections for Brent crude oil prices suggest that the international oil prices are likely to be lower than the 2010 levels. On the assumptions of lower oil and food prices, inflation is likely to slowdown in 2012. On the other hand, the country is currently experiencing high interest rates which if persistent might lead to constrained credit to the productive sector and therefore impact negatively on the economy.

Government expenditure is likely to rise more rapidly on account of the implementation of the new constitution in particular the setting up of the county governments and sustained infrastructure projects being undertaken currently. The oil discovery in Turkana is not expected to bring any substantial immediate economic benefits in 2012. However, the country is likely to experience intensified oil exploration activities in the near future with impacts mainly being felt as from 2013.

World real GDP growth is projected to slow from 3.8 per cent in 2011 to 3.4 per cent in 2012. Similarly, the World trade growth is projected slow to 4.8 per cent in 2011 from 6.7 per cent in 2012. Growths in the Euro area and the UK, major importers of Kenya's agricultural produce, are projected to slow substantially indicating possibility of suppressed external demand. Against this background, economic growth is likely to be subdued and is projected to grow by between 3.5 to 4.5 per cent in 2012.

Table 0: Key Economic and Social Indicators 2007 - 2011[1]

Table 0: Key Economic and Social Indicators 2007 - 2011[1]

	DESCRIPTION	Unit	2007	2008	2009	2010	2011*	
1	Population	(Million)	35.8	36.7	37.7	38.5	39.5	
2	Growth of GDP at Constant Prices	(Per cent)	7.0	1.5	2.7	5.8	4.4	
3	GDP at Market Prices :	(KSh Mn)	1,833,511.0	2,107,589.4	2,366,984.2	2,549,825.1	3,024,782.2	
4	Total cost of petroleum products	(KSh Mn)	121,776.0	199,799.2	160,192.5	200,780.0	345,847.4	
5	Trade balance	(KSh Mn)	-330,454.0	-425,705.0	-443,147.0	-537,588.3	-804,633.4	
6	Money Supply (M3)	(KSh Mn)	777,596.0	901,055.0	1,045,657.0	1,271,638.0	1,514,152.0	
7	Total domestic credit	(KSh Mn)	670,771.0	827,413.0	978,319.0	1,267,535.0	1,532,051.0	
8	Balance of Payments (current account balance)	(KSh Mn)	-69,638.0	-132,904.8	-124,139.9	-187,677.3	-296,023.7	
9	Coffee-marketed production	('000 tonnes)	52.3	38.7	48.9	38.9	30.0	
10	Tea-marketed production	('000 tonnes)	369.6	345.8	304.2	399.0	377.9	
11	Fresh Horticultural Produce exports	('000 tonnes)	192.2	193.2	180.7	228.3	227.1	
12	Maize-marketed centrally	('000 tonnes)	508.8	340.5	191.0	294.6	405.8	
13	Wheat-marketed centrally	('000 tonnes)	107.5	82.1	123.1	190.2	100.9	
14	Sugar-cane production	('000 tonnes)	5,204.2	5,112.0	5,610.7	5,709.6	5,338.6	
15	Milk sold centrally	(Mn litres)	423.0	398.5	406.5	516.0	549.0	
16	Manufacturing output	(KSh Mn)	626,494.0	742,160.1	770,370.2	842,506.3	1,009,214.2	
17	Construction output	(KSh Mn)	191,299.0	223,175.9	265,755.5	288,937.8	319,631.8	
18	Cement Consumption	('000 tonnes)	2,059.5	2,155.8	2,671.3	3,104.8	3,433.0	
19	Petroleum Consumption	('000 tonnes)	3,121.8	3,133.2	3,610.8	3,765.7	3,857.9	
20	Electricity consumption	(GWh)	5,156.6	5,352.2	5,428.7	5,754.7	6,273.6	
21	Tourism earnings	(KSh Mn)	65,450.0	52,710.0	62,500.0	73,700.0	97,890.0	
22	New registration of vehicles	(Number)	85,324.0	121,831.0	161,813.0	196,456.0	205,841.0	
23	Rail freight	(`000 tonnes)	2,304.0	1,628.0	1,532.0	1,572.0	1,596.0	
24	Air passengers handled	('000) No.	7,039.1	6,376.0	6,888.2	7,516.4	8,721.7	
25	Wage employment	('000) No.	1,909.8	1,943.9	2,000.1	2,059.1	2,127.7	
26	Education-primary enrolment	('000) No.	8,330.1	8,563.8	8,831.4	9,381.2	9,857.9	
27	Education-secondary enrolment	('000) No.	1,180.3	1,335.9	1,472.6	1,653.4	1,767.7	
28	Education-University enrolment	('000) No.	118.2	122.8	177.7	177.6	198.3	
29	Education-other post secondary enrolment	('000) No.	98.5	109.6	107.3	111.3	133.7	
31	Registered doctors and dentists	(Number)	7,202.0	7,597.0	7,659.0	8,027.0	8,479.0	
32	GDP Per capita (Current):	(KSh)	49,128.0	57,427.5	62,784.7	66,229.2	76,576.8	
33	GDP Per capita (Constant):	(KSh)	36,000.0	36,982.7	36,986.4	38,305.5	38,969.8	
34	Net lending/borrowing (% of GDP) at Current Market Prices	(Per cent)	-3.0	-5.1	-4.9	-5.2	-9.9	
35	Net lending/borrowing	(KSh Mn)	-54,904.4	-106,972.1	-114,941.7	-133,154.4	-300,384.7	
36	Recurrent Revenue and Grants	(KSh Mn)	468,243.6	498,895.4	574,135.1	665,462.3	766,176.0	
37	Total Expenditure	(KSh Mn)	664,614.8	694,165.4	789,360.6	922,563.5	1,165,532.1	
38	External Debt Service Charge as % of GDP[2]	(Per cent)	1.0	1.1	1.0	1.3	1.1	
39	External Debt Service as % of Exports of Goods & Services	(Per cent)	3.8	4.2	4.2	4.6	3.8	
	INDEX NUMBERS							2007-2011 Annual % rate of change
	Export volumes: (2009=100)		96.9	100.4	100.0	91.8	90.0	-1.8
	Import volumes: (2009=100)		69.9	75.5	100.0	95.3	76.8	2.4
	Terms of trade		75.5	76.2	100.0	88.1	84.1	2.7
	NSE 20 Share: (1966=100)		5445.0	3521.0	3247.0	4433.0	3205.0	-12.4
	Consumer Price Indexs[+]		79.5	92.4	102.1	106.3	121.2	11.1
	Real wages		112.1	100.7	95.9	95.6	87.8	-5.9
	Agriculture terms of trade: (2001 =100)		75.8	65.0	69.2	68.5	56.7	-7.0

* Provisional.

[1] More precise measures are given in individual chapters.

[2] Year ending 30th June

Chapter 1

International Scene

Overview

The global economy experienced a myriad of challenges ranging from structural issues in the Euro area to transient inflationary shocks in emerging and developing economies. This resulted in a decline in growth in world real Gross Domestic Product (GDP) estimated at 3.8 per cent in 2011 compared to 5.0 per cent in 2010.

1.2. Economic activity in emerging and developing economies evolved as projected though there were notable disparities across regions. Growth in a number of emerging and developing economies slowed due to a worsened external environment, and a weakened internal demand as well as the effects of macroeconomic policy tightening.

1.3. The devastating Great East Japan earthquake had serious ramifications on Japan's economy where supply interruptions heavily curtailed industrial production and consumer spending. In the United States of America (USA), high commodity prices, unfavourable weather, and supply chain disruptions to its manufacturing sector from the earthquake in Japan, impacted negatively on its economy. The Euro area economy slowed down despite buoyant investments in Germany and France that supported growth.

1.4. World trade recorded a slowed growth of 6.7 per cent in 2011 compared to 12.6 per cent in 2010. The deceleration was due to low demand and realignment of consumption expenditure patterns. World trade exports in goods and services grew by 18.6 per cent in 2011 mainly due to higher global commodity prices.

1.5. The global economic recovery in 2011 was threatened by sustained oil price spikes, with average crude oil prices estimated to have increased by an average 30.6 per cent. Political unrests in Tunisia, Yemen, Algeria, Bahrain, Libya and Iran disrupted oil supply chain leading to a surge in oil prices. This happened at a time when the global economy was emerging from a historical recession.

1.6. For the better part of 2011, rapidly rising oil and food prices led to decreased available discretionary income to consumers. Non-oil producing developing countries reported inflation pressures due to high oil and food prices. However, some of the stable oil producers intervened by boosting their oil output, which mitigated the impact of the surge in oil prices.

1.7. Global labour market conditions have remained fragile since the 2008/09 global economic crisis. The emergence of global economic recovery in 2010 did not create sufficient quality jobs to compensate for what had been lost during the crisis. The poor employment performance continued in 2011 mainly due to inadequate economic growth in many countries across the world.

1.8. Global unemployment levels that had been falling from their peaks of early 2009, started rising in December 2010 for developed countries and by mid 2011 for developing countries. In spite of the global employment situation, unemployment rates in economies such as Brazil, Kazakhstan, Sri Lanka, Thailand and Uruguay were below their pre-crisis levels. The

increase in unemployment levels since 2007 has mainly occurred in the developed economies.

Regional Economic Analysis

OECD

1.9. Table 1.1 presents estimates and projections of key economic indicators for selected Organization of Economic Co-operation and Development (OECD) countries from 2009 to 2013. The OECD economies recorded slow growth in real GDP at 1.9 per cent in 2011 compared to an increase of 3.1 per cent in 2010. The economic recovery path for the OECD economies was slowed down by deepening of the Euro crisis, reduced scope of macroeconomic policies to cushion economies from further decline following the support programmes introduced after the global financial and economic crisis, and effects of the earthquake in Japan.

1.10. Unemployment rate edged downwards slightly to 8.0 per cent in 2011 compared to 8.3 per cent in 2010, while inflation worsened to 2.0 per cent in 2011 from 1.4 per cent in 2010. This was partly due to increases in indirect taxes and administered prices in several OECD economies.

1.11. Current account balance as a percentage of GDP remained stable at negative 0.6 per cent in 2011. This was partly as a result of the large increase in the external surpluses of the high saving oil producing economies. Japan recorded a decelerated surplus of 2.2 per cent in 2011 compared to a surplus of 3.6 per cent in 2010. On the other hand, the USA registered an improvement from a deficit of 3.2 per cent in 2010 to a deficit of 3.0 per cent in 2011.

United States of America

1.12. Real GDP growth rate for the USA fell from 3.0 per cent in 2010 to 1.7 per cent in 2011. A decline in government spending contributed to a lower GDP growth in the first half of 2011. Modest employment gains in the private sector in 2011 led to a slight reduction in the unemployment rate from 9.6 per cent in 2010 to 9.0 per cent in 2011.

1.13. Inflation, the GDP deflator increased by 2.2 per cent in 2011 compared to 1.2 per cent in 2010. This was due to a surge in food and oil prices against a monetary policy target of stabilizing interest rates at near zero.

United Kingdom

1.14. Real GDP in the United Kingdom is estimated to have experienced a dip in growth from 1.8 per cent in 2010 to 0.9 per cent in 2011. This was as a result of the effects of fiscal consolidation policies and exposure to risks within the Euro zone. Unemployment rate was estimated at 8.1 per cent in 2011 due to reduced external demand and continued job losses. However, inflation rate slowed down from 2.8 per cent in 2010 to 2.2 per cent in 2011.

Table 1.1: Key Economic Indicators and Projections for Selected OECD Countries, 2009-2013

	2009	2010	2011*	2012[1]	2013[1]
	(Percentage change from previous year)				
World Real GDP Growth	**-1.2**	**5.0**	**3.8**	**3.4**	**4.3**
World Trade Growth[2]	**-10.7**	**12.6**	**6.7**	**4.8**	**7.1**
Real GDP	(Percentage change)				
United States of America	-3.5	3.0	1.7	2.0	2.5
United Kingdom	-4.4	1.8	0.9	0.5	1.8
Japan	-6.3	4.1	-0.3	2.0	1.6
Euro Area	-4.2	1.8	1.6	0.2	1.4
Total OECD	**-3.8**	**3.1**	**1.9**	**1.6**	**2.3**
Inflation (GDP Deflator)	(Percentage change)				
United States of America	1.1	1.2	2.2	1.9	1.4
United Kingdom	1.7	2.8	2.2	2.0	1.5
Japan	-0.4	-2.2	-2.0	-0.7	-0.3
Euro Area	0.9	0.7	1.3	1.5	1.2
Total OECD	**1.1**	**1.4**	**2.0**	**1.8**	**1.6**
Current Account Balances	(Per cent of GDP)				
United States of America	-2.7	-3.2	-3.0	-2.9	-3.2
United Kingdom	-1.5	-2.5	-0.6	0.1	0.3
Japan	2.8	3.6	2.2	2.2	2.4
Euro Area	0.0	0.2	0.1	0.6	1.0
Total OECD	**-0.5**	**-0.6**	**-0.6**	**-0.4**	**-0.4**
Unemployment Rate	(Percentage change)				
United States of America	9.3	9.6	9.0	8.9	8.6
United Kingdom	7.6	7.9	8.1	8.8	9.1
Japan	5.1	5.1	4.6	4.5	4.4
Euro Area	9.4	9.9	9.9	10.3	10.3
Total OECD	**8.2**	**8.3**	**8.0**	**8.1**	**7.9**

Source: OECD Economic Outlook No. 90

* Provisional

[1] Projections

[2] World trade growth rate is the arithmetic average of world merchandise import and export volumes

Assumptions Underlying Projections

- The cut-off date for information used in the projections is 22 November 2011.
- The projections assume unchanged exchange rates from those prevailing on 14 November 2011:

Japan

1.15. Japan's economy was on a recovery path for the better part of 2011 following the March 2011 Great East Japan earthquake, which was the country's worst natural disaster in a century. Japan's real GDP growth was estimated at negative 0.3 per cent in 2011 compared to 4.1 per cent in 2010. The negative growth was attributed to the earthquake which heavily destabilized nuclear power production, the industrial sector, and exports resulting in a reduction in the current account balance from 3.6 per cent of GDP in 2010 to 2.2 per cent in 2011.

1.16. The unemployment rate excluding areas devastated by the earthquake and tsunami between March 2011 and August 2011, declined to 4.6 per cent from 5.1 per cent in 2010. The inflation slightly increased from negative 2.2 per cent in 2010 to negative 2.0 per cent in 2011.

Euro Area

1.17. Real GDP growth rate slowed down from 1.8 per cent in 2010 to 1.6 per cent in 2011. The recovery stalled due to the sovereign debt crisis in the region. Inflation rose to 1.3 per cent in 2011 compared to 0.7 per cent in 2010. Reduced internal demand and rising cost of material inputs led to the realignment of productive capacities by firms. Consequently the unemployment rate remained high at 9.9 per cent.

Emerging Economies

1.18. The economies of Brazil, Russia, India, China and South Africa (BRICS) have continued to increase their contribution to world real GDP growth projected to reach one third by 2015. In 2011, BRICS countries recorded a slowdown in real GDP growth except South Africa which had higher expansion rate and Russia whose economy grew at same level as 2010.

1.19. Brazil's economy expanded by 3.4 per cent in 2011 compared to 7.5 per cent in 2010. Domestic demand was the main source of growth following a slump in external demand and tight monetary policy. Consumer prices increased at an estimated rate of 8.4 per cent in 2011 compared to 6.9 per cent in 2010.

1.20. Russia real GDP is estimated to have expanded by 4.0 per cent as in 2011 due to high oil prices. The country's current account balance improved to 5.6 per cent of GDP compared to 4.7 per cent on account of better returns from oil exports. However, inflation rose by 8.4 per cent in 2011 compared to 6.9 per cent in 2010 curtailing economic growth.

1.21. The contraction of exports due to a slowdown in global demand and high cost of credit to the private sector resulted in slowed expansion of China's economy in 2011. Real GDP went up at an estimated 9.3 per cent in 2011 compared to 10.4 per cent in 2010. China's economy was affected by general fall in property prices leading to a slowdown in the construction industry. Similarly, a slight dip in net exports due to reduced USA and Euro zone demand contributed to lower expansion of real GDP.

1.22. The expansion of India's real GDP slowed down to 7.6 per cent in 2011 compared to 8.8 per cent in 2010. The country's current account deficit narrowed to 2.1 per cent in 2011 compared to 2.6 per cent in 2010, primarily due to terms of trade gains.

1.23. The economy of South Africa expanded by 3.2 per cent in 2011 compared to 2.8 per cent in 2010. This was mainly attributed to increased domestic demand and favourable prices of commodity exports. However, low external demand hampered further growth and contributed to labour market unrest and rising unemployment rates.

Sub-Saharan Africa

1.24. Real GDP growth in Sub-Saharan Africa (SSA) was estimated at 5.2 per cent in 2011 compared to 5.4 per cent in 2010. The slight drop was attributed to increased production costs due to rise in oil prices and inflation in non-oil producing countries in the region. The current account balance as a percentage of GDP improved from a deficit of 1.2 per cent in 2010 to a surplus of 0.6 per cent in 2011. This may be attributed to rise in global commodity prices and the impact of high oil prices in the oil exporting countries in the region.

1.25. Consumer prices rose by 8.4 per cent in 2011 compared to 7.5 per cent in 2010 due to rising crude oil prices. However, the rise in inflation was varied across the region with oil

producing countries recording lower inflation rates. Non-food inflation driven by demand for higher wages and the effects of exchange rate pressures contributed to escalating prices. The challenge for many economies in 2011 was timing and tightening of monetary policy adjustment to prevent higher inflationary expectations.

Table1.2: Real GDP Growths, Consumer Prices and Current Account Balances for Selected Regions and Countries

	Real GDP Growth				Consumer Prices				Current Account Balances (Per cent of GDP)			
	2009	2010	2011*	20121	2009	2010	2011*	2012[1]	2009	2010	2011*	2012[1]
Sub-Saharan Africa	2.8	5.4	5.2	5.8	10.6	7.5	8.4	8.3	-2.3	-1.2	0.6	-0.6
EAC	5.1	5.8	5.9	6.0	11.8	7.2	8.5	10.2	-7.2	-7.8	-7.9	-7.8
Kenya	2.6	5.8	4.4	6.1	10.6	4.1	14.0	7.4	-5.8	-7.4	-9.8	-8.5
Tanzania	6.7	6.4	6.1	6.1	11.8	10.5	7.0	9.4	-10.2	-8.8	-8.8	-10.2
Uganda	7.2	5.2	6.4	5.5	14.2	9.4	6.5	16.9	-7.8	-8.8	-4.0	-8.9
Rwanda	4.1	7.5	7.0	6.8	10.3	2.3	3.9	6.5	-7.3	-6.0	-5.2	-9.1
Burundi	3.5	3.9	4.2	4.8	10.7	6.4	8.7	12.5	-16.1	-13.4	-16.4	-17.0
SADC	-0.1	3.6	3.9	5.0	9.1	6.9	7.7	7.0	-4.8	-6.1	-2.0	-1.4
WAEMU	2.9	4.6	1.9	6.6	1.0	1.2	3.0	2.4	-7.1	-3.3	-3.7	-5.6
CEMAC	2.4	5.1	4.7	4.9	4.7	2.4	3.8	4.2	7.3	-6.0	-6.9	-1.5
ASEAN-5	1.7	6.9	5.3	5.6	4.5	4.4	6.1	5.6	3.2	3.3	2.5	1.6
Maghreb	2.4	3.5	2.9	3.9	3.7	3.1	3.1	3.8	16.1	1.0	4.4	4.9
Mashreq	5.2	4.9	0.8	1.9	8.8	9.4	9.7	9.3	-1.7	-3.5	-3.6	-4.5

Source: September 2011 World Economic Outlook and Regional Economic Outlook - Various Issues

* Provisional

[1] Projections

Southern African Development Community (SADC); West African Economic and Monetary Union (WAEMU), Economic and Monetary Union of Central Africa (CEMAC), ASEAN -5 comprise of Indonesia, Thailand, Malyasia, Phillipines and Vietnam.

The Maghreb comprises Algeria, Libya, Mauritania, Morocco, and Tunisia. The Mashreq comprises Egypt, Jordan, Lebanon, and Syrian Arab Republic.

East African Community

1.26. Real GDP of East African Community (EAC) expanded by 5.9 per cent in 2011 compared to 5.8 per cent in 2010. The EAC current account balance as a percentage of GDP worsened from negative 7.8 per cent in 2010 to negative 7.9 per cent in 2011.

1.27. Consumer prices in 2011 rose by 8.5 per cent compared to 7.2 per cent in 2010. Consumer prices in Kenya, Rwanda and Burundi rose from 4.1, 2.3 and 6.4 per cent in 2010, respectively, to 1.0, 3.9 and 8.7 per cent in 2011, respectively. The rising inflation was attributed to low agricultural production and high fuel prices recorded in 2011. On the other hand Tanzania and Uganda recorded reduced consumer prices in 2011.

Southern African Development Community

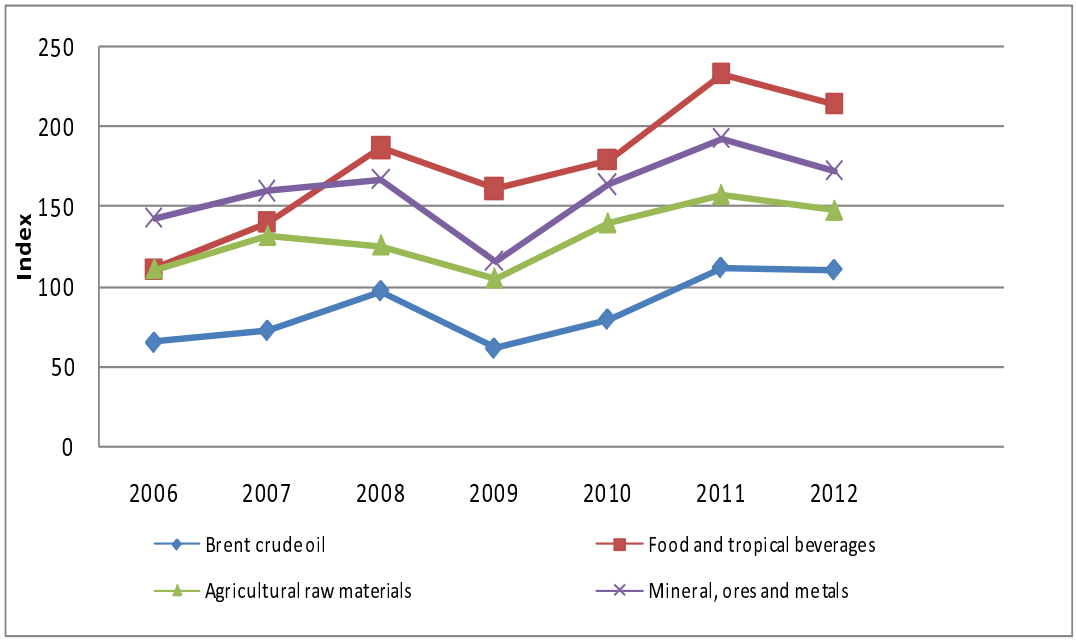
1.28. The Southern African Development Community (SADC) member countries' combined real GDP grew by 3.9 per cent in 2011 compared to 3.6 per cent in 2010. Inflation in this region rose from 6.9 per cent in 2010 to 7.7 per cent in 2011, while the current account balance as a percentage of GDP improved from negative 6.1 per cent in 2010 to negative 2.0 per cent in 2011.

Global Commodity Prices

1.29. Figure 1.1 depicts the evolution of oil and primary commodity prices for the period 2006 to 2011 and the projections for 2012. Prices of all commodities are estimated to have peaked in 2011 but are expected to fall in 2012. It is however, notable that while the price

of non-energy commodities is projected to decline moderately, the price of oil is expected to decline marginally.

Figure 1.1: Oil and Primary Commodity Price Indices



Outlook

1.30. Expansion in global output is projected to slow down to 3.4 per cent in 2012. This is as a result of the Euro area economy which is projected to go into a mild recession on account of rise in sovereign yields. Further, the effects of commercial banks deleveraging by discriminating borrowers will contract credit expansion and the impact of additional fiscal consolidation will contribute to the slow down.

1.31. The slump in demand in more developed economies will affect the current accounts of emerging and developing economies leading to subdued growth. Real GDP in the Euro area is projected to fall by 0.2 per cent in 2012. Further, unemployment in the Euro area is projected to peak to a 13-year high of at least 10 per cent in 2012. Fiscal policy measures to address the crisis and monetary accommodation are expected in order to mitigate further risks in the Euro area.

1.32. Globally, increase in consumer prices is expected to ease in 2012. However, the risk of a rise in oil prices and a dependence on rain fed agriculture, coupled with less favourable prospects of global activity, are important factors that will determine the movement of consumer prices. Worsening external environment and a weakening of internal demand is expected to slow growth in emerging and developing economies.

1.33. SSA real GDP is projected to expand by 5.8 per cent in 2012 buoyed by rising export demand and high commodity prices such as gold as investors search for alternative forms of preserving their wealth from the effects of the Euro crisis. Due to strong linkages of SSA exports to European markets, trade may be exposed, should the Euro crisis deepen into a recession. A persistent Euro zone crisis in 2012 is also projected to negatively impact on tax revenues and Official Development Assistance (ODA) flows into the African continent.

1.34. In the EAC, real GDP is projected to expand by 6.0 per cent in 2012 supported by increased intra-trade and growth in services. This is due to deepening of the integration following the implementation of the Common Market Protocol and easing of the non-tariff trade barriers.

1.35. The global economic prospects for 2012 across the regions therefore face many structural and nonstructural constraints. The main challenge for many economies is creating a supportive environment while sheltering domestic economies from further external shocks in an increasingly interlinked global environment.

Chapter 2

Domestic Economy

Overview

The macroeconomic performance of the Kenyan economy worsened in 2011 compared to 2010. Real Gross Domestic Product (GDP) is estimated to have expanded by 4.4 per cent in 2011 compared to a revised growth of 5.8 per cent in 2010. The slow growth was mainly associated with high oil and food prices as well as unfavourable weather conditions in some parts of the country during the year under review. Weakening of the Kenya Shilling in the foreign exchange market during the third quarter of 2011 further exacerbated the situation by suppressing domestic demand.

2.2. Performance of the macroeconomic aggregates varied widely across the sectors with the number of industries that recorded improved growth being as many as those that decelerated. Financial Intermediation witnessed the highest growth of 7.8 per cent in 2011 although lower than the 9.0 per cent in 2010. Other sectors that posted significant expansions during the review period include, Wholesale and Retail trade, Mining and Quarrying, Hotels and Restaurants, Education and Construction with respective growths of 7.3, 7.1, 5.0, 4.9 and 4.3 per cent. On the other hand, Electricity and Water Supply registered a contraction of 2.6 per cent in 2011 compared to an expansion of 9.7 per cent in 2010.

2.3. The year witnessed good prices for tea and coffee in the world markets which significantly boosted the agricultural sector. However, production of these crops was suppressed by adverse weather thus preventing the country from reaping sufficient gains from the improved international market. Further consequences of unfavourable weather conditions were felt by the electricity industry whose growth in real GDP contracted by 4.5 per cent in 2011 resulting to the sector being the only one that recorded a decline during the year.

2.4. Overall, annual inflation increased to 14.0 per cent in 2011 mainly due to high oil and food prices that prevailed for the better part of the year. The rise in oil prices was due to both external and internal shocks. In the domestic market, a sharp weakening of the Kenya Shilling led to a steep rise in the cost of imports. The political upheavals in the Middle East and North Africa, in particular Libya, Algeria, Bahrain and Iran brought about disruption in oil supply resulting to high international oil prices.

2.5. To contain the rising inflation and weakening Shilling, the Central Bank of Kenya intervened severally by raising the Central Bank Rate (CBR) from 6.25 per cent in May to a high of 18.00 per cent by December 2011. Consequently, commercial banks responded by adjusting their interest rates upwards, further curtailing economic growth, mainly during the fourth quarter of 2011.

2.6. Despite the slowdown in economic activities in 2011, the labour market experienced an increase of 4.7 per cent new jobs. The annual average earnings rose by 5.3 per cent during the review period. In real terms, however, the average earnings slumped by 8.1 per cent in 2011 owing to the effects of the high inflation.

2.7. On the external front, both the trade balance and current account deficits widened

further in 2011, principally due to a faster growth in imports as opposed to a slower growth in exports. The slower growth in exports was partly attributable to Euro zone crisis which slowed down demand for horticultural products while the growth in imports was largely due to the weakening of the Kenya Shilling and the rise in the international oil prices. The widening of the current account deficit also contributed to the weakening of the shilling. The country however benefited from improved external remittances and the International Monetary Fund (IMF) support that aided in stabilizing the currency.

2.8. On the demand side, private final consumption constituted the bulk of the GDP while investments and government final consumption accounted for almost equal proportions. Investments, whose contribution to GDP has risen consistently since 2003, slowed to 20.1 per cent of GDP in 2011 from 20.3 per cent in 2010. There was a buildup of inventories during the review period occasioned by unmatched demand for the supply as the effects of high cost of borrowing were felt by consumers.

Sectoral Analysis

Agriculture

2.9. The Agricultural sector recorded a slower growth of 1.5 per cent in 2011 compared to a growth of 6.4 per cent in 2010. This decelerated growth was attributed to the unfavourable weather conditions coupled with high cost of production occasioned by the rising costs of farm inputs. Production of the major crops declined in 2011. Despite the declines in production of tea and coffee in the country, international prices of the two crops were favourable because of supply constraints leading to an increase in total value of marketed production.

2.10. Production of maize decreased slightly to 34.4 million bags in 2011 from 35.8 million bags in 2010, while production of beans increased by 48.8 per cent to 6.4 million bags. Coffee production declined by 13.6 per cent from 42.0 thousand tonnes in 2009/10 crop year to 36.3 per cent in 2010/11 crop year. The low production was attributed to erratic weather conditions coupled with high pest and disease incidences. Production of tea also recorded a decline from 399.0 thousand tonnes in 2010 to 377.9 thousand tonnes in 2011, as a result of adverse weather conditions experienced during the first half of the year.

2.11. The marketed production of livestock and its products increased from KSh 55.3 billion in 2010 to KSh 62.2 billion in 2011 with all subsectors recording increases in their marketed production. The quantity of milk delivered to processors increased from 515.7 million litres in 2010 to 549.0 million litres in 2011 due to availability of pasture in the highlands dairy farming regions of the country

Manufacturing

2.12. The sector expanded by 3.3 per cent in 2011 compared to 4.5 per cent in 2010. The slowed expansion was attributed to increased prices of primary inputs and high fuel costs. This led to a reduction in growth of value added for the manufacture of food, beverages and tobacco, which expanded by 1.6 per cent in 2011 compared to 3.4 per cent in 2010. The decline was also attributed to a reduction in the manufacture of sugar, bakery products, and grain mill products and animal feeds.

2.13. Activities of the manufacture of non food products expanded by 4.0 per cent in 2011 compared to 5.0 per cent in 2010. Growths in manufacture of rubber and plastic products and

manufacture of furniture and other unclassified items, contracted during the year under review.

Transport and Communication

2.14. The Transport and Communication sector recorded a real value added growth of 4.5 per cent in 2011 compared to 5.9 per cent in 2010. The Transport and Storage subsector which includes rail, water, air, road and pipeline recorded a slowed growth of 4.0 per cent in 2011 compared to 6.9 per cent in 2010. The Communication subsector recorded a growth of 4.3 per cent in 2011 compared to 4.5 per cent in 2010.

2.15. The number of newly registered motor vehicles increased from 196,456 units in 2010 to 205,841 units in 2011, an increase of 4.8 per cent compared to 21.4 per cent in 2010. The slowdown in growth was attributed to low demand for vehicles due to high prices triggered by the weakening of the Kenya Shilling and constrained production and supply disruption from Japan as a result of the effects of the tsunami that occured in the first quarter of 2011. In addition, the significant drop in the registration of minibuses/matatus occasioned by Government policy of phasing out the 14 seater Public Service Vehicles (PSV) affected the total number of registered vehicles.

2.16. The railway transport recorded improved performance with revenues increasing in both freight and passenger traffic. The increase was attributed to the restructuring of operations in the Rift Valley Railways (RVR) undertaken by the governments of Kenya and Uganda which saw additional capital injected into the concession to improve service delivery.

2.17. Quantity of exports and imports cargo including transit, handled at the port of Mombasa grew by 8.3 and 4.3 per cent respectively. The increase in imports handled was partly due to increased importation of fertilizers, maize and rice while the increase in exports was attributable to increased dry general cargo handled. The air transport subsector recorded increases in both passenger, cargo and mail traffic handled. Passenger and cargo and mail handled increased by 16.0 and 23.0 per cent, respectively.

2.18. In the Communication subsector, mobile telephony market continued to thrive with the subscriber base expanding to 25.3 million representing a mobile penetration rate of 65.6 per cent as at June 2011. The use of mobile technology in money transfer services also continued to expand and moved a notch higher with the banking sector embracing the service.

Hotels and Restaurants

2.19. Hotels and Restaurants recorded a growth of 5.0 per cent in 2011 compared to 4.2 per cent in 2010 with tourism earnings increasing by KSh 24.2 billion to KSh 97.9 billion. The growth was mainly due to increased international arrivals and conference activities and high tourist arrivals in the year under review. Earnings from the sector were boosted by depreciation of the Kenya Shilling in the second half of the year.

2.20. In 2011, hotel bed-nights occupancy increased by 5.3 per cent to reach 7,015.2 thousand. There was an increase of 10.8 per cent and 76.7 per cent in hotel bed occupancy by Kenyan and Chinese residents, reflecting increased spending on leisure and economic interests, respectively. However, there was a decline in hotel occupancy by residents of European countries arising from unsteady economic conditions in Europe, a historically dominant source of tourists.

Financial Intermediation

2.21. During the year, the financial sector faced a number of challenges among them persistent high inflation and volatility of the Shilling. However, the sector weathered the constraints to post an impressive growth of 7.8 per cent in 2011, a slowdown from a growth of 9.0 per cent achieved in 2010. This performance was mainly attributable to rise in commercial banks credit to the various sectors of the economy, with total credit growing by 31.1 per cent in 2011. Broad money supply (M3) grew by 19.1 per cent in 2011 compared to 28.9 per cent in 2010.

Electricity and Water

2.22. This was the only sector that recorded a contraction in growth during the period under review. This was against a background of insufficient rainfall during the long rains season which occasioned increased reliance on thermal power generation, that is more expensive to produce than hydro and geothermal power, resulting to lower value added. Consequently, activities of electricity supply contracted by 4.5 per cent in 2011 compared to an expansion of 11.9 per cent in 2010. On the other hand, water supply grew by 3.2 per cent in 2011 but the growth was not sufficient to offset the decline in electricity supply leading to an overall decline of 2.6 per cent in 2011 compared to an expansion of 9.7 per cent in 2010 of the electricity and water sector.

Construction

2.23. The sector recorded a growth of 4.3 per cent in 2011 compared to a growth of 4.5 per cent in 2010. Cement consumption, a key input in the construction industry, increased by 10.6 per cent from 3,104.8 to 3,433.0 thousand metric tonnes in the same. Commercial banks loans and advances to the sector increased by 4.3 per cent in 2011 to KSh 50.8 billion compared to an increase of 3.6 per cent in 2010. Government total expenditure on roads increased from KSh 61.1 billion in 2010/11 to KSh 82.3 billion in 2011/12 mainly due to increased expenditure on trunk roads.

2.24. The overall cost index of materials and labour rose by 5.4 per cent and 9.4 per cent in 2011 compared to 3.2 per cent and 6.9 per cent in 2010, respectively. The increased cost of building materials and labour slowed the expansion of the sector. The sector's employment increased by 7.7 thousand to 109.0 thousand persons in 2011.

Gross Domestics Product by Activity

2.25. Table 2.1 shows the breakdown in Gross Domestic Product, at current prices, by activity while Table 2.2 presents their share contributions. The total nominal GDP by activity increased by 18.6 per cent to stand at KSh 3,024.8 billion in 2011. All sectors of the economy recorded increases in nominal terms except for Electricity and Water subsector which declined by 26.8 per cent to stand at KSh 26,071 million in 2011 from KSh 35,592 million in 2010.

2.26. Agriculture and Forestry continued to be the main driver of the economy with its share contribution increasing from 21.4 per cent in 2010 to 24.0 per cent in 2011. Other key sectors whose share increased include Wholesale and Retail trade and Financial Intermediation. Their shares continued to increase for the third consecutive year reaching 10.6 and 6.4 per cent respectively, in 2011. All the other sectors declined in their share contribution except for Mining and Quarrying, Hotels and Restaurants, and Private Households with Employed Persons whose shares stagnated at the 2010 levels.

Table 2.1: Gross Domestic Product by Activity, 2007-2011

Current Prices - KSh Million

Industry	2007	2008+	2009+	2010+	2011*
Agriculture and forestry	397,057	470,753	555,288	545,927	726,160
Growing of crops and horticulture	289,595	345,841	399,474	405,265	546,616
Farming of animals	82,868	99,697	127,704	109,535	144,804
Agricultural and animal husbandry services	8,573	8,764	9,571	10,934	12,580
Forestry and logging	16,021	16,452	18,539	20,193	22,159
Fishing	7,127	9,450	9,903	14,637	15,091
Mining and quarrying	12,904	14,930	12,083	17,650	20,621
Manufacturing	190,497	228,304	234,556	252,122	285,698
Manufacture of food, beverages and tobacco	57,865	65,123	75,615	79,162	97,053
All other manufacturing	132,632	163,181	158,941	172,960	188,645
Electricity and water supply	26,633	43,767	44,185	35,592	26,071
Electricity supply	14,728	31,136	28,866	17,929	5,463
Water supply	11,904	12,631	15,318	17,663	20,608
Construction	69,556	80,407	97,445	109,146	125,046
Wholesale and retail trade, repairs	177,609	214,022	233,001	260,869	320,950
Hotels and restaurants	29,612	23,745	39,421	42,546	50,557
Transport and communication	194,093	216,052	234,752	253,958	292,601
Transport and storage	139,128	159,296	172,244	189,426	227,373
Post and telecommunications	54,964	56,756	62,508	64,532	65,228
Financial intermediation	88,018	97,806	128,732	143,471	193,044
Real estate, renting and business services	96,273	107,323	116,657	123,173	134,746
Dwellings, owner occupied and rented	49,120	53,338	58,291	61,598	65,098
Renting and business services	47,153	53,985	58,366	61,575	69,648
Public administration and defence	107,508	106,431	118,662	141,648	151,321
Education	123,498	132,229	142,235	158,738	176,537
Health and social work	45,318	51,591	60,196	65,170	74,979
Other community, social and personal services	63,207	71,586	79,423	84,415	96,423
Private households with employed persons	7,176	8,207	10,171	11,217	13,227
Less: Financial services indirectly measured	-20,074	-18,231	-25,762	-21,652	-31,787
All industries at basic prices	**1,616,010**	**1,858,371**	**2,090,948**	**2,238,630**	**2,671,285**
Taxes less subsidies on products	217,501	249,218	276,036	311,195	353,497
GDP at market prices	**1,833,511**	**2,107,589**	**2,366,984**	**2,549,825**	**3,024,782**

Institutional sector and industry	2007	2008+	2009+	2010+	2011*
Corporations, non-profit institutions and households					
Agriculture and forestry	389,261	462,799	546,797	536,256	715,053
Fishing	7,127	9,450	9,903	14,637	15,091
Mining and quarrying	12,904	14,930	12,083	17,650	20,621
Manufacturing	190,497	228,304	234,556	252,122	285,698
Electricity and water supply	24,353	41,156	41,178	32,030	21,979
Construction	68,200	78,996	95,948	107,453	123,020
Wholesale and retail trade, repairs	177,609	214,022	233,001	260,869	320,950
Hotels and restaurants	29,612	23,745	39,421	42,546	50,557
Transport, and communication	189,488	211,830	230,058	249,643	287,973
Financial intermediation	88,018	97,806	128,732	143,471	193,044
Dwellings, owner occupied and rented	49,120	53,338	58,291	61,598	65,098
Other real estate and business services	47,002	53,939	58,316	61,504	69,558
Education	14,151	16,050	15,622	18,066	20,092
Health and social work	23,605	27,243	33,525	34,920	38,814
Other community, social and personal services	59,265	66,953	74,341	78,852	89,648
Private households with employed persons	7,176	8,207	10,171	11,217	13,227
Less: Financial services indirectly measured	-20,074	-18,231	-25,762	-21,652	-31,787
Total value added at basic prices	**1,357,315**	**1,590,535**	**1,796,182**	**1,901,182**	**2,298,637**
General government					
Agriculture and forestry	7,796	7,954	8,491	9,671	11,107
Water supply	2,280	2,611	3,007	3,563	4,091
Construction	1,355	1,411	1,497	1,694	2,025
Transport, and communication	4,605	4,222	4,694	4,315	4,629
Research and technical services	151	46	50	71	90
Public administartion and defence	107,508	106,431	118,662	141,648	151,321
Education	109,346	116,179	126,613	140,672	156,445
Health and social work	21,713	24,349	26,671	30,250	36,165
Other services	3,942	4,633	5,082	5,563	6,775
Total value added at basic prices	**258,695**	**267,836**	**294,766**	**337,448**	**372,648**

* Provisional

\+ Revised

Table 2.2 Gross Domestic Product by Activity, 2007-2011

Per cent Contributions to GDP

Industry	2007	2008+	2009+	2010+	2011*
Agriculture and forestry	21.7	22.3	23.5	21.4	24.0
Growing of crops and horticulture	15.8	16.4	16.9	15.9	18.1
Farming of animals	4.5	4.7	5.4	4.3	4.8
Agricultural and animal husbandry services	0.5	0.4	0.4	0.4	0.4
Forestry and logging	0.9	0.8	0.8	0.8	0.7
Fishing	0.4	0.4	0.4	0.6	0.5
Mining and quarrying	0.7	0.7	0.5	0.7	0.7
Manufacturing	10.4	10.8	9.9	9.9	9.4
Manufacture of food, beverages and tobacco	3.2	3.1	3.2	3.1	3.2
All other manufacturing	7.2	7.7	6.7	6.8	6.2
Electricity and water supply	1.5	2.1	1.9	1.4	0.9
Electricity supply	0.8	1.5	1.2	0.7	0.2
Water supply	0.6	0.6	0.6	0.7	0.7
Construction	3.8	3.8	4.1	4.3	4.1
Wholesale and retail trade, repairs	9.7	10.2	9.8	10.2	10.6
Hotels and restaurants	1.6	1.1	1.7	1.7	1.7
Transport and communication	10.6	10.3	9.9	10.0	9.7
Transport and storage	7.6	7.6	7.3	7.4	7.5
Post and telecommunications	3.0	2.7	2.6	2.5	2.2
Financial intermediation	4.8	4.6	5.4	5.6	6.4
Real estate, renting and business services	5.3	5.1	4.9	4.8	4.5
Dwellings, owner occupied and rented	2.7	2.5	2.5	2.4	2.2
Renting and business services	2.6	2.6	2.5	2.4	2.3
Public administration and defence	5.9	5.0	5.0	5.6	5.0
Education	6.7	6.3	6.0	6.2	5.8
Health and social work	2.5	2.4	2.5	2.6	2.5
Other community, social and personal services	3.4	3.4	3.4	3.3	3.2
Private households with employed persons	0.4	0.4	0.4	0.4	0.4
Less: Financial services indirectly measured	-1.1	-0.9	-1.1	-0.8	-1.1
All industries at basic prices	**88.1**	**88.2**	**88.3**	**87.8**	**88.3**
Taxes less subsidies on products	11.9	11.8	11.7	12.2	11.7
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Institutional sector and industry					
Corporations, non-profit institutions and households	74.0	75.5	75.9	74.6	76.0
General government	14.1	12.7	12.5	13.2	12.3

* Provisional

+ Revised

2.27. Table 2.3 presents a breakdown of Gross Domestic Product at constant 2001 prices, by industry for the years 2007 through 2011. In 2011, Gross Domestic Product at constant 2001 prices rose to KSh 1,539.3 billion from KSh 1,474.8 billion in 2010. Annual growth rates of GDP at constant prices are presented in Table 2.4. The growth rates reveal how the various sectors of the economy performed across the years. Financial Intermediation recorded the highest growth of 7.8 per cent in 2011 compared to 9.0 per cent in 2010. Wholesale and Retail Trade and Mining and Quarrying also recorded impressive growths though slower than their performances in 2010. During the review period, other key sectors of the economy namely Agriculture and Forestry, Manufacturing and Transport and Communication registered slowed but significant growths compared to 2010.

Table 2.3: Gross Domestic Product by Activity, 2007-2011

Constant 2001 Prices - KSh Million

Industry	2007	2008+	2009+	2010+	2011*
Agriculture and forestry	320,423	307,354	299,431	318,586	323,465
Growing of crops and horticulture	227,649	211,302	200,700	215,851	215,783
Farming of animals	78,173	81,389	83,914	87,834	92,619
Agricultural and animal husbandry services	3,665	3,627	3,659	3,620	3,639
Forestry and logging	10,937	11,036	11,158	11,281	11,424
Fishing	6,181	5,363	5,564	5,713	5,891
Mining and quarrying	6,272	6,453	6,163	6,763	7,246
Manufacturing	130,673	135,291	137,060	143,263	147,989
Manufacture of food, beverages and tobacco	41,666	40,928	41,810	43,214	43,908
All other manufacturing	89,007	94,363	95,250	100,049	104,080
Electricity and water supply	29,769	31,341	30,397	33,335	32,465
Electricity supply	22,219	23,575	22,348	25,004	23,870
Water supply	7,550	7,766	8,049	8,331	8,595
Construction	40,405	43,735	49,270	51,486	53,713
Wholesale and retail trade, repairs	131,754	138,044	143,460	154,942	166,205
Hotels and restaurants	20,814	13,298	18,993	19,796	20,792
Transport and communication	156,845	161,615	171,994	182,181	190,382
Transport and storage	96,280	96,333	100,205	107,131	112,092
Post and telecommunications	60,566	65,283	71,789	75,050	78,290
Financial intermediation	50,306	51,659	55,375	60,379	65,095
Real estate, renting and business services	70,860	73,503	75,674	78,089	80,888
Dwellings, owner occupied and rented	35,964	37,420	38,947	40,548	42,228
Renting and business services	34,896	36,083	36,728	37,541	38,660
Public administration and defence	45,031	45,317	46,031	47,085	48,270
Education	76,257	80,771	82,952	86,651	90,873
Health and social work	28,983	30,035	31,352	31,786	32,896
Other community, social and personal services	49,420	50,829	52,156	53,557	55,988
Private households with employed persons	4,173	4,256	4,342	4,428	4,517
Less: Financial services indirectly measured	-12,174	-10,484	-11,945	-11,260	-11,843
All industries at basic prices	**1,155,991**	**1,168,382**	**1,198,270**	**1,266,782**	**1,314,832**
All industries excl. agriculture and forestry	835,568	861,027	898,839	948,195	991,367
Taxes less subsidies on products	180,855	188,882	196,117	207,981	224,474
GDP at market prices	**1,336,846**	**1,357,263**	**1,394,387**	**1,474,763**	**1,539,306**

Institutional sector and industry	2007	2008+	2009+	2010+	2011*
Corporations, non-profit institutions and households					
Agriculture and forestry	316,837	303,802	295,834	315,063	319,940
Fishing	6,181	5,363	5,564	5,713	5,891
Mining and quarrying	6,272	6,453	6,163	6,763	7,246
Manufacturing	130,673	135,291	137,060	143,263	147,989
Electricity and water supply	28,312	29,918	28,953	31,881	31,029
Construction	34,810	37,798	42,809	44,616	46,160
Wholesale and retail trade, repairs	131,754	138,044	143,460	154,942	166,205
Hotels and restaurants	20,814	13,298	18,993	19,796	20,792
Transport, and communication	150,109	155,877	165,511	175,302	182,375
Financial intermediation	50,306	51,659	55,375	60,379	65,095
Dwellings, owner occupied and rented	35,964	37,420	38,947	40,548	42,228
Other real estate and business services	34,275	35,457	36,073	36,881	37,985
Education	9,485	11,290	9,713	10,018	10,777
Health and social work	17,862	18,664	19,687	19,614	20,424
Other community, social and personal services	46,900	48,304	49,715	51,286	53,610
Private households with employed persons	4,173	4,256	4,342	4,428	4,517
Less: Financial services indirectly measured	-12,174	-10,484	-11,945	-11,260	-11,843
Total value added at basic prices	**1,012,552**	**1,022,413**	**1,046,255**	**1,109,232**	**1,150,422**
General government					
Agriculture and forestry	3,587	3,553	3,597	3,523	3,525
Water supply	1,457	1,423	1,444	1,455	1,436
Construction	5,595	5,936	6,461	6,870	7,553
Transport, and communication	6,737	5,738	6,483	6,879	8,006
Research and technical services	621	626	655	660	674
Public administartion and defence	45,031	45,317	46,031	47,085	48,270
Education	66,772	69,481	73,239	76,633	80,096
Health and social work	11,120	11,371	11,665	12,173	12,472
Other services	2,520	2,525	2,441	2,271	2,378
Total value added at basic prices	**143,440**	**145,969**	**152,015**	**157,550**	**164,410**

* Provisional

\+ Revised

Table 2.4 Growth rates of Gross Domestic Product, 2007-2011

Percentage Changes

Industry	2007	2008+	2009+	2010+	2011*
Agriculture and forestry	2.4	-4.1	-2.6	6.4	1.5
Growing of crops and horticulture	2.7	-7.2	-5.0	7.5	0.0
Farming of animals	2.5	4.1	3.1	4.7	5.4
Agricultural and animal husbandry services	-4.8	-1.0	0.9	-1.1	0.5
Forestry and logging	-1.6	0.9	1.1	1.1	1.3
Fishing	-1.1	-13.2	3.8	2.7	3.1
Mining and quarrying	12.9	2.9	-4.5	9.7	7.1
Manufacturing	6.3	3.5	1.3	4.5	3.3
Manufacture of food, beverages and tobacco	8.7	-1.8	2.2	3.4	1.6
All other manufacturing	5.2	6.0	0.9	5.0	4.0
Electricity and water supply	9.1	5.3	-3.0	9.7	-2.6
Electricity supply	11.8	6.1	-5.2	11.9	-4.5
Water supply	1.8	2.9	3.6	3.5	3.2
Construction	7.3	8.2	12.7	4.5	4.3
Wholesale and retail trade, repairs	11.3	4.8	3.9	8.0	7.3
Hotels and restaurants	16.3	-36.1	42.8	4.2	5.0
Transport and communication	15.1	3.0	6.4	5.9	4.5
Transport and storage	7.2	0.1	4.0	6.9	4.6
Post and telecommunications	30.3	7.8	10.0	4.5	4.3
Financial intermediation	6.6	2.7	7.2	9.0	7.8
Real estate, renting and business services	3.5	3.7	3.0	3.2	3.6
Dwellings, owner occupied and rented	4.0	4.0	4.1	4.1	4.1
Renting and business services	3.0	3.4	1.8	2.2	3.0
Public administration and defence	-2.1	0.6	1.6	2.3	2.5
Education	4.2	5.9	2.7	4.5	4.9
Health and social work	3.2	3.6	4.4	1.4	3.5
Other community, social and personal services	3.4	2.9	2.6	2.7	4.5
Private households with employed persons	2.0	2.0	2.0	2.0	2.0
Less: Financial services indirectly measured	2.9	-13.9	13.9	-5.7	5.2
All industries at basic prices	**6.2**	**1.1**	**2.6**	**5.7**	**3.8**
All industries excl. agriculture and forestry	7.8	3.0	4.4	5.5	4.6
Taxes less subsidies on products	12.1	4.4	3.8	6.0	7.9
GDP at market prices	**7.0**	**1.5**	**2.7**	**5.8**	**4.4**
Institutional sector and industry					
Corporations, non-profit institutions and households	6.9	1.0	2.3	6.0	3.7
General government	2.1	1.8	4.1	3.6	4.4

* Provisional

\+ Revised

Sources of growth

2.28. Table 2.5 presents how the various industries of the economy contributed to growths since 2007. The main industry driving the growth in 2011 was Wholesale and Retail Trade with a contribution of 17.4 per cent. Other industries that made significant contribution to the growth were Agriculture and Forestry, Transport and Communication and Manufacturing. The contraction in the value added of the Electricity and Water sector hampered the 2011 growth.

Table 2.5 Sources of Growth, 2007-2011

Percentages

Industry	2007	2008+	2009+	2010+	2011*
Agriculture and forestry	8.6	-64.0	-21.3	23.8	7.6
Growing of crops and horticulture	6.8	-80.1	-28.6	18.8	-0.1
Farming of animals	2.2	15.8	6.8	4.9	7.4
Agricultural and animal husbandry services	-0.2	-0.2	0.1	0.0	0.0
Forestry and logging	-0.2	0.5	0.3	0.2	0.2
Fishing	-0.1	-4.0	0.5	0.2	0.3
Mining and quarrying	0.8	0.9	-0.8	0.7	0.7
Manufacturing	8.8	22.6	4.8	7.7	7.3
Manufacture of food, beverages and tobacco	3.8	-3.6	2.4	1.7	1.1
All other manufacturing	5.0	26.2	2.4	6.0	6.2
Electricity and water supply	2.8	7.7	-2.5	3.7	-1.3
Electricity supply	2.7	6.6	-3.3	3.3	-1.8
Water supply	0.2	1.1	0.8	0.4	0.4
Construction	3.2	16.3	14.9	2.8	3.5
Wholesale and retail trade, repairs	15.3	30.8	14.6	14.3	17.4
Hotels and restaurants	3.3	-36.8	15.3	1.0	1.5
Transport and communication	23.5	23.4	28.0	12.7	12.7
Transport and storage	7.4	0.3	10.4	8.6	7.7
Post and telecommunications	16.1	23.1	17.5	4.1	5.0
Financial intermediation	3.6	6.6	10.0	6.2	7.3
Real estate, renting and business services	2.8	12.9	5.8	3.0	4.3
Dwellings, owner occupied and rented	1.6	7.1	4.1	2.0	2.6
Renting and business services	1.2	5.8	1.7	1.0	1.7
Public administration and defence	-1.1	1.4	1.9	1.3	1.8
Education	3.5	22.1	5.9	4.6	6.5
Health and social work	1.0	5.2	3.5	0.5	1.7
Other community, social and personal services	1.8	6.9	3.6	1.7	3.8
Private households with employed persons	0.1	0.4	0.2	0.1	0.1
Less: Financial services indirectly measured	-0.4	8.3	-3.9	0.9	-0.9
All industries at basic prices	77.7	60.7	80.5	85.2	74.4
All industries excl. agriculture and forestry	69.1	124.7	101.9	61.4	66.9
Taxes less subsidies on products	22.3	39.3	19.5	14.8	25.6
GDP at market prices	100.0	100.0	100.0	100.0	100.0

*Provisional

+ Revised

Table 2.6: Annual production accounts by industry, 2007-2011

Current Prices - KSh Million

Industry	2007	2008+	2009+	2010+	2011*
Agriculture and forestry					
Output at basic prices	518,275	619,369	687,188	700,732	907,860
Intermediate consumption	121,219	148,616	131,901	154,804	181,700
Gross value added at basic prices	397,057	470,753	555,288	545,927	726,160
Compensation of employees	54,925	55,615	64,009	70,340	73,954
Gross operating surplus /mixed income	342,132	415,138	491,279	475,587	652,206
Fishing					
Output at basic prices	9,503	12,601	13,204	19,516	20,122
Intermediate consumption	2,376	3,150	3,301	4,879	5,030
Gross value added at basic prices	7,127	9,450	9,903	14,637	15,091
Compensation of employees	950	1,260	1,320	1,952	2,012
Gross operating surplus /mixed income	6,177	8,190	8,583	12,686	13,079
Mining and quarrying					
Output at basic prices	20,233	22,989	20,666	27,019	30,785
Intermediate consumption	7,329	8,059	8,584	9,369	10,164
Gross value added at basic prices	12,904	14,930	12,083	17,650	20,621
Compensation of employees	5,831	6,543	5,803	7,552	8,903
Gross operating surplus /mixed income	7,073	8,387	6,280	10,098	11,718
Manufacturing					
Output at basic prices	626,652	742,160	770,370	842,506	1,009,214
Intermediate consumption	436,155	513,856	535,815	590,384	723,516
Gross value added at basic prices	190,497	228,304	234,556	252,122	285,698
Compensation of employees	59,789	62,828	74,988	83,472	95,780
Gross operating surplus /mixed income	130,708	165,476	159,568	168,650	189,919
Electricity and water					
Output at basic prices	54,765	70,785	81,829	79,786	83,554
Intermediate consumption	28,133	27,018	37,644	44,193	57,483
Gross value added at basic prices	26,633	43,767	44,185	35,592	26,071
Compensation of employees	12,455	14,381	17,379	20,550	20,223
Gross operating surplus /mixed income	14,178	29,386	26,806	15,043	5,848
Construction					
Output at basic prices	191,575	223,176	265,755	288,938	319,632
Intermediate consumption	122,019	142,769	168,311	179,792	194,586
Gross value added at basic prices	69,556	80,407	97,445	109,146	125,046
Compensation of employees	16,093	17,722	21,061	24,236	28,667
Gross operating surplus /mixed income	53,463	62,685	76,384	84,910	96,379
Wholesale and retail trade, repairs					
Output at basic prices	387,378	466,904	508,590	569,554	700,872
Intermediate consumption	209,770	252,883	275,589	308,684	379,922
Gross value added at basic prices	177,609	214,022	233,001	260,869	320,950
Compensation of employees	102,868	107,318	134,765	156,567	185,146
Gross operating surplus /mixed income	74,741	106,704	98,236	104,302	135,804
Hotels and restaurants					
Output at basic prices	91,047	75,119	122,970	132,696	157,926
Intermediate consumption	61,435	51,374	83,549	90,151	107,369
Gross value added at basic prices	29,612	23,745	39,421	42,546	50,557
Compensation of employees	14,977	12,092	20,191	21,803	26,022
Gross operating surplus /mixed income	14,635	11,653	19,230	20,743	24,535
Transport and communication					
Output at basic prices	470,157	523,880	544,522	606,118	691,135
Intermediate consumption	276,064	307,829	309,770	352,159	398,534
Gross value added at basic prices	194,093	216,052	234,752	253,958	292,601
Compensation of employees	88,306	94,205	102,714	120,166	135,794
Gross operating surplus /mixed income	105,787	121,847	132,038	133,793	156,807
Financial intermediation					
Output at basic prices	139,381	147,654	182,699	224,919	285,968
Intermediate consumption	51,364	49,848	53,967	81,448	92,924
Gross value added at basic prices	88,018	97,806	128,732	143,471	193,044
Compensation of employees	40,538	45,759	55,553	63,843	78,249
Gross operating surplus /mixed income	47,479	52,047	73,180	79,628	114,795

Table 2.6: Cont'd

Current Prices - KSh Million

Industry	2007	2008+	2009+	2010+	2011*
Real estate and business services					
Output at basic prices	117,558	131,398	142,725	150,586	165,256
Intermediate consumption	21,285	24,075	26,068	27,413	30,510
Gross value added at basic prices	96,273	107,323	116,657	123,173	134,746
Compensation of employees	25,371	29,189	31,585	33,433	37,907
Gross operating surplus/mixed income	70,902	78,134	85,072	89,739	96,839
Public administration and defence					
Output at basic prices	161,209	165,884	187,043	228,889	262,913
Intermediate consumption	53,702	59,454	68,381	87,241	111,593
Gross value added at basic prices	107,508	106,431	118,662	141,648	151,321
Compensation of employees	85,921	82,369	91,806	112,322	118,589
Gross operating surplus/mixed income	21,587	24,062	26,856	29,327	32,732
Education					
Output at basic prices	157,487	164,537	182,510	204,433	223,988
Intermediate consumption	33,989	32,308	40,275	45,696	47,451
Gross value added at basic prices	123,498	132,229	142,235	158,738	176,537
Compensation of employees	106,206	113,727	121,971	136,366	152,462
Gross operating surplus/mixed income	3,046	3,395	3,789	4,138	4,619
Health and social work					
Output at basic prices	63,976	74,446	86,469	93,578	109,944
Intermediate consumption	18,658	22,854	26,272	28,408	34,965
Gross value added at basic prices	45,318	51,591	60,196	65,170	74,979
Compensation of employees	32,426	37,073	40,904	44,539	52,722
Gross operating surplus/mixed income	12,892	14,519	19,293	20,630	22,256
Other community, social and personal services					
Output at basic prices	104,246	117,906	131,587	140,422	160,872
Intermediate consumption	33,863	38,113	41,992	44,789	51,222
Gross value added at basic prices	70,384	79,793	89,594	95,633	109,650
Compensation of employees	31,269	35,605	40,529	43,590	50,482
Gross operating surplus/mixed income	39,115	44,189	49,065	52,042	59,168
Less: Financial services indirectly measured					
Intermediate consumption	20,074	18,231	25,762	21,652	31,787
Gross value added at basic prices	-20,074	-18,231	-25,762	-21,652	-31,787
All industries at basic prices					
Output at basic prices	3,113,444	3,558,809	3,928,128	4,309,691	5,130,042
Intermediate consumption	1,497,433	1,700,438	1,837,180	2,071,061	2,458,757
Gross value added at basic prices	1,616,010	1,858,371	2,090,948	2,238,630	2,671,285
Other taxes on production	4,354	5,487	6,837	7,013	8,178
Less: Subsidies	-40	-36	-39	0	0
Compensation of employees	677,925	715,685	824,578	940,732	1,066,912
Gross operating surplus/mixed income	933,771	1,137,235	1,259,572	1,290,885	1,596,195
Total economy					
Output at basic prices	3,113,444	3,558,809	3,928,128	4,309,691	5,130,042
Taxes on products	217,501	249,218	276,036	311,195	353,497
Intermediate consumption	1,497,433	1,700,438	1,837,180	2,071,061	2,458,757
GDP at market prices	1,833,511	2,107,589	2,366,984	2,549,825	3,024,782
Taxes on production and imports	221,855	254,705	282,873	318,209	361,675
Less: Subsidies	-40	-36	-39	0	0
Compensation of employees	677,925	715,685	824,578	940,732	1,066,912
Gross operating surplus/mixed income	933,771	1,137,235	1,259,572	1,290,885	1,596,195

* Provisional

+ Revised

Expenditure on GDP

2.29. Components of expenditure on Gross Domestic Product and their share contribution are shown in Tables 2.7 and 2.8, respectively. The gross domestic expenditure increased by 19.9 per cent to stand at KSh 3,521.2 billion in 2011 with the private final consumption expenditure, the main component, increasing by 18.4 per cent. The deficit in net exports (difference between the exports and imports of goods and services) recorded the highest

growth in the last five years of 61.5 per cent in 2011 and partly contributed to the weakening of the Kenya Shilling. The share of imports of goods and services to the total Gross Domestic product (GDP) increased from 40.1 per cent in 2010 to 45.4 per cent in 2011 while that of the other components more or less remained at the levels of 2010.

Table 2.7: Expenditure on the Gross Domestic Product, 2007-2011

Current Prices - KSh Million

Expenditure category	2007	2008+	2009+	2010+	2011*
Government final consumption expenditure	327,918	347,262	383,847	449,339	538,541
Private final consumption expenditure	1,383,603	1,583,651	1,849,582	1,983,496	2,350,129
Gross fixed capital formation	355,090	409,597	465,111	518,504	608,982
Changes in inventories	-6,240	-4,120	6,365	-14,015	23,537
Gross domestic expenditure	**2,060,371**	**2,336,390**	**2,704,905**	**2,937,324**	**3,521,189**
Exports of goods and services	490,987	581,806	571,305	709,209	869,222
Imports of goods and services	691,220	879,821	886,480	1,021,873	1,374,101
Discrepancy [1]	-26,627	69,214	-22,745	-74,834	8,471
Gross domestic product at market prices	**1,833,511**	**2,107,589**	**2,366,984**	**2,549,825**	**3,024,782**

[1] Difference between GDP production approach and GDP expenditure approach

* Provisional

\+ Revised

Table 2.8: Expenditure on the Gross Domestic Product, 2007-2011

Percentage Shares

Expenditure category	2007	2008+	2009+	2010+	2011*
Government final consumption expenditure	17.9	16.5	16.2	17.6	17.8
Private final consumption expenditure	75.5	75.1	78.1	77.8	77.7
Gross fixed capital formation	19.4	19.4	19.6	20.3	20.1
Changes in inventories	-0.3	-0.2	0.3	-0.5	0.8
Gross domestic expenditure	**112.4**	**110.9**	**114.3**	**115.2**	**116.4**
Exports of goods and services	26.8	27.6	24.1	27.8	28.7
Imports of goods and services	37.7	41.7	37.5	40.1	45.4
Discrepancy [1]	-1.5	3.3	-1.0	-2.9	0.3
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Discrepancy expressed as a percentage of GDP

* Provisional

2.30. The expenditures on Gross Domestic Product in real terms and their growth rates are shown in Tables 2.9 and 2.10, respectively. The gross domestic expenditure in real terms increased from KSh 1,739.6 billion in 2010 to KSh 1,851.8 billion in 2011 representing an increase of 6.5 per cent. The highest growths were recorded in imports of goods and services, gross fixed capital formation and government final expenditure of 15.6, 12.5 and 10.6 per cent, respectively, in the year under review. Notable declines in growths were witnessed in the export of goods and services and private final consumption expenditure from 17.7 and 7.2 per cent in 2010 to 6.7 and 2.8 per cent in 2011, respectively.

Table 2.9: Expenditure on the Gross Domestic Product, 2007-2011

Constant 2001 Prices - KSh Million

Expenditure category	2007	2008+	2009+	2010+	2011*
Government final consumption expenditure	185,679	190,254	197,528	215,604	238,447
Private final consumption expenditure	1,055,988	1,041,750	1,094,202	1,173,374	1,206,210
Gross fixed capital formation	295,557	323,762	332,776	358,471	403,457
Changes in inventories including discrepan	-4,537	-7,164	1,117	-7,833	3,716
Gross domestic expenditure	**1,532,687**	**1,548,601**	**1,625,623**	**1,739,615**	**1,851,829**
Exports of goods and services	350,046	375,245	340,310	400,415	427,123
Imports of goods and services	517,912	552,301	567,756	602,122	695,931
Discrepancy [1]	-27,975	-14,283	-3,791	-63,145	-43,715
Gross domestic product at market prices	**1,336,846**	**1,357,263**	**1,394,387**	**1,474,763**	**1,539,306**

[1] Difference between GDP production approach and GDP expenditure approach

* Provisional

+ Revised

Table 2.10: Expenditure on the Gross Domestic Product, 2007-2011

Percentage Change

Expenditure category	2007	2008+	2009+	2010+	2011*
Government final consumption expenditure	3.5	2.5	3.8	9.2	10.6
Private final consumption expenditure	7.3	-1.3	5.0	7.2	2.8
Gross fixed capital formation	13.6	9.5	2.8	7.7	12.5
Changes in inventories [1]	0.4	-0.2	0.6	-0.6	0.8
Gross domestic expenditure	**8.4**	**1.0**	**5.0**	**7.0**	**6.5**
Exports of goods and services	6.6	7.2	-9.3	17.7	6.7
Imports of goods and services	11.1	6.6	2.8	6.1	15.6
Gross domestic product at market prices	**7.0**	**1.5**	**2.7**	**5.8**	**4.4**

[1] Change in changes of inventories as a percentage of GDP of the previous year

* Provisional

+ Revised

2.31. Tables 2.11a and 2.11b present final private consumption expenditure categories and the share of each at current prices, respectively. In absolute terms, final expenditure for all categories increased. However, the percentage share for all categories declined except for food and beverages which increased by 2.9 percentage points in 2011.

Table 2.11a: Private Consumption, 2007-2011

Current Prices - KSh Million

Expenditure category	2007	2008+	2009+	2010+	2011*
Food and beverages	607,367	738,120	852,877	872,452	1,103,194
Clothing and footwear	40,232	44,555	49,451	56,376	56,397
Housing	109,676	124,076	133,952	142,174	154,052
All other goods	174,884	191,094	216,545	256,724	282,772
All other services	536,153	576,848	694,233	770,662	894,788
Direct purchases abroad	11,296	10,150	8,800	7,257	9,880
Less: Direct purchases by non-res in Kenya	-96,005	-101,190	-106,277	-122,147	-150,955
Total	**1,383,603**	**1,583,651**	**1,849,582**	**1,983,496**	**2,350,129**

* Provisional

\+ Revised

Table 2.11b: Private Consumption, 2007-2011

Percentage Shares

Expenditure category	2007	2008+	2009+	2010+	2011*
Food and beverages	43.9	46.6	46.1	44.0	46.9
Clothing and footwear	2.9	2.8	2.7	2.8	2.4
Housing	7.9	7.8	7.2	7.2	6.6
All other goods	12.6	12.1	11.7	12.9	12.0
All other services	38.8	36.4	37.5	38.9	38.1
Direct purchases abroad	0.8	0.6	0.5	0.4	0.4
Less: Direct purchases by non-res in Ken	-6.9	-6.4	-5.7	-6.2	-6.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Provisional

\+ Revised

2.32. Gross Fixed Capital Formation (GFCF), at current prices, by type of asset and their percentage shares are presented in Tables 2.12a and 2.12b. Gross fixed capital formation increased from KSh 518.5 billion to KSh 609.0 billion in 2011. The share of other machinery and equipment to total GFCF increased to 38.0 per cent in 2011 from 33.3 per cent in 2010 while that of buildings and structures declined to 44.9 per cent in 2011 compared to 47.8 per cent in 2010.

Table 2.12a: Gross Fixed Capital Formation, 2007-2011

Current Prices - KSh Million

Type of Asset	2007	2008+	2009+	2010+	2011*
Buildings and structures	163,431	190,058	227,624	247,621	273,598
Transport equipment	82,894	73,798	84,830	96,670	101,964
Other machinery and equipment	107,414	144,384	151,300	172,794	231,623
Cultivated assets	1,273	1,279	1,279	1,341	1,718
Intangible assets	78	78	78	78	80
Total	**355,090**	**409,597**	**465,111**	**518,504**	**608,982**

* Provisional

+ Revised

Table 2.12b: Gross Fixed Capital Formation, 2007-2011

Percentage Shares

Type of Asset	2007	2008+	2009+	2010+	2011*
Buildings and structures	46.0	46.4	48.9	47.8	44.9
Transport equipment	23.3	18.0	18.2	18.6	16.7
Other machinery and equipment	30.2	35.3	32.5	33.3	38.0
Cultivated assets	0.4	0.3	0.3	0.3	0.3
Intangible assets	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Provisional

+ Revised

2.33. Tables 2.13a and 2.13b show the value of gross fixed capital formation by type of asset and their growth rates at constant prices, respectively. Total real GFCF expanded by 12.5 per cent in the review period compared to an increase of 7.7 per cent in 2010. This growth was mainly as a result of an increase of 27.1 per cent in other machinery and equipment during the year under review. On the contrary, transport equipment contracted by 1.3 per cent in 2011 compared to a growth of 8.7 per cent in 2010.

Table 2.13a: Gross Fixed Capital Formation, 2007-2011

Constant Prices - KSh Million

Type of Asset	2007	2008+	2009+	2010+	2011*
Buildings and structures	106,425	115,760	131,461	137,064	141,838
Transport equipment	74,064	61,603	63,143	68,642	67,746
Other machinery and equipment	113,656	145,139	136,956	151,563	192,596
Cultivated assets	1,355	1,210	1,169	1,156	1,233
Intangible assets	56	51	48	46	43
Total	**295,557**	**323,762**	**332,776**	**358,471**	**403,457**

* Provisional

+ Revised

Table 2.13b: Gross Fixed Capital Formation, 2007-2011

	Annual Changes				
Type of Asset	**2007**	**2008+**	**2009+**	**2010+**	**2011***
Buildings and structures	7.6	8.8	13.6	4.3	3.5
Transport equipment	-2.8	-16.8	2.5	8.7	-1.3
Other machinery and equipment	35.5	27.7	-5.6	10.7	27.1
Cultivated assets	16.2	-10.7	-3.4	-1.1	6.7
Intangible assets	-5.0	-10.3	-5.6	-3.2	-7.3
Total	**13.6**	**9.5**	**2.8**	**7.7**	**12.5**

* Provisional

+ Revised

Disposable income and savings

2.34. Table 2.14 presents details on the derivation of Gross National Income (GNI) from the GDP for the period between 2007 and 2011. The table shows that the bulk of the primary incomes generated in the production activities were shared mainly between the operating surplus and compensation of employees. In terms of payments of primary incomes, the country has consistently remitted more to the rest of the world than it receives. For instance, in 2011 the country remitted KSh 25.1 billion and received KSh 15.7 billion.

2.35. Information on Gross National Disposable Income (GNDI) is presented in Tables 2.14 and 2.15. Disposable income is a measure of the amount available for final consumption and gross saving in the economy after receiving and remitting both primary incomes and current transfers. Unlike in the case of primary income, the country receives much more current transfers than it remits to the rest of the world. For example, in 2011 Kenya received KSh 278.1 billion in form of current transfers and only paid KSh 4.1 billion to the rest of the world.

2.36. Table 2.15 gives details on financing of capital formation. The table indicates that about two thirds of investments in Kenya were financed through gross savings while external borrowing and capital transfers from abroad provided the rest of capital financing. Gross savings as a ratio of GDP and GNDI improved from 11.3 and 10.6 per cent in 2010, to 13.2 and 12.2 per cent in 2011.

Table 2.14: Gross Domestic Product and Gross National Income, 2007-2011

	2007	2008+	2009+	2010+	2011*
CURRENT PRICES, KSh Million					
Compensation of employees	677,925	715,685	824,578	940,732	1,066,912
Consumption of fixed capital	136,587	150,180	167,580	180,622	199,019
Net operating surplus	797,184	987,055	1,091,992	1,110,263	1,397,177
Gross domestic product at factor cost	**1,611,696**	**1,852,920**	**2,084,149**	**2,231,617**	**2,663,107**
Taxes on production and imports	221,855	254,705	282,873	318,209	361,675
Subsidies	-40	-36	-39	0	0
Gross domestic product at market prices	**1,833,511**	**2,107,589**	**2,366,984**	**2,549,825**	**3,024,782**
Primary incomes					
Receivable from the rest of the world	10,812	12,190	13,500	11,428	15,685
Payable to rest of the world	-20,518	-15,317	-16,426	-23,125	-25,091
Gross national income at market prices	**1,823,805**	**2,104,462**	**2,364,058**	**2,538,128**	**3,015,376**
Current transfers					
Receivable from the rest of the world	**145,875**	167,356	181,107	185,889	278,074
Payable to rest of the world	-2,723	-6,091	-6,405	-3,424	-4,120
Gross national disposable income	**1,966,957**	**2,265,727**	**2,538,760**	**2,720,593**	**3,289,330**
Per capita, KSh					
Gross domestic product at market prices	51,179	57,350	62,743	66,274	76,489
Gross national income at market prices	50,908	57,265	62,666	65,970	76,252
CONSTANT PRICES					
GDP at market prices, KSh Million	1,336,846	1,357,263	1,394,387	1,474,763	1,539,306
Per capita, KSh	37,316	36,933	36,962	38,332	38,925
- Annual percentage change	7.9	-1.0	0.1	3.7	1.5

* Provisional

\+ Revised

Table 2.15: National Disposable Income and Saving

Current Prices - KSh Million

	2007	2008+	2009+	2010+	2011*
Disposable income and saving					
Gross national disposable income	**1,966,957**	**2,265,727**	**2,538,760**	**2,720,593**	**3,289,330**
Consumption of fixed capital	136,587	150,180	167,580	180,622	199,019
Net national disposable income	**1,830,369**	**2,115,548**	**2,371,180**	**2,539,971**	**3,090,312**
Final consumption expenditure					
Private	1,383,603	1,583,651	1,849,582	1,983,496	2,350,129
General government	327,918	347,262	383,847	449,339	538,541
Discrepancy on GDP					
Saving, net	118,848	184,634	137,751	107,135	201,642
General government					
All Other serctors					
Financing of capital formation					
Saving, net	118,848	184,634	137,751	107,135	201,642
Capital transfers, receivable from abroad	10,558	6,535	20,178	19,030	20,861
Capital transfers, payable from abroad	0	0	0	0	0
Total	**129,406**	**191,169**	**157,929**	**126,165**	**222,503**
Gross fixed capital formation	355,090	409,597	465,111	518,504	608,982
Consumption of fixed capital	-136,587	-150,180	-167,580	-180,622	-199,019
Changes in inventories	-6,240	-4,120	6,365	-14,015	23,537
Net lending (+) / Net borrowing (-)	-82,856	-64,128	-145,967	-197,701	-210,998
Total	**129,406**	**191,169**	**157,929**	**126,165**	**222,503**
Discrepancy on GDP	-26,627	69,214	-22,745	-74,834	8,471
Gross savings	255,436	334,814	305,331	287,758	400,660
Gross savings as a ratio to GDP	13.9	15.9	12.9	11.3	13.2
Gross savings as a ratio to Disposable Income	13.0	14.8	12.0	10.6	12.2

* Provisional

\+ Revised

Quarterly Gross Domestic Product

2.37. The summary of the revised Quarterly Gross domestic product (QGDP) by activity from 2006 to 2010 in value and percentage are presented in Tables 2.15 and 2.16, respectively. The fourth quarter of 2011 recorded a growth of 4.6 per cent in 2011, compared to a revised growth of 7.4 per cent in 2010. The first, second and third quarter recorded revised growths of 5.4, 3.4 and 4.0 per cent in the year under review. The seasonally adjusted GDP increased by 2.1 per cent in the fourth quarter of 2011 compared to the third quarter of the same year.

Table 2.16 Gross domestic product by activity, 2007-2011

Constant 2001 prices –KSh. million

Year	Quarter	Agriculture and forestry	Fishing	Mining and quarrying	Manufacturing	Electricity and water	Construc-tion	Wholesale and retail trade	Hotels and restaurants	Transport and communication	Financial intermediation
2007	1	75,894	1,640	1,392	31,736	7,118	8,671	29,935	5,510	36,942	12,317
	2	68,909	1,152	1,568	32,630	7,559	9,946	32,024	4,712	38,836	12,577
	3	85,878	1,552	1,614	33,060	7,525	11,181	35,733	5,475	40,969	12,653
	4	89,742	1,837	1,699	33,247	7,567	10,606	34,063	5,116	40,098	12,758
2008	1	72,097	1,413	1,466	31,963	7,737	9,125	33,361	2,784	36,948	12,699
	2	69,175	969	1,682	34,002	7,881	11,348	33,262	2,685	39,015	13,023
	3	81,492	1,364	1,754	34,813	7,765	12,456	37,744	4,026	42,869	12,705
	4	84,591	1,617	1,551	34,513	7,958	10,806	33,678	3,804	42,783	13,231
2009	1	70,995	1,405	1,291	33,454	7,929	11,359	33,214	7,195	45,307	13,411
	2	66,280	1,124	1,605	33,688	8,072	12,593	32,961	3,987	40,550	13,734
	3	78,761	1,372	1,645	34,380	7,440	12,585	39,056	4,091	51,403	13,984
	4	83,395	1,663	1,622	35,537	6,957	12,734	38,229	3,721	34,734	14,247
2010	1	75,194	1,454	1,558	35,700	7,688	11,495	34,338	7,102	48,897	14,170
	2	68,403	1,198	1,688	35,503	8,493	13,129	34,314	3,977	42,826	14,731
	3	85,642	1,401	1,743	36,357	8,692	13,297	40,956	4,511	52,985	15,434
	4	89,347	1,661	1,774	35,703	8,463	13,565	45,334	4,205	37,473	16,043
2011	1	75,422	1,492	1,700	37,795	8,057	12,300	37,327	7,543	51,242	16,007
	2	71,044	1,243	1,814	36,161	8,217	13,796	36,277	4,092	44,267	15,990
	3	86,057	1,469	1,857	36,966	7,724	13,777	44,212	4,604	55,064	16,680
	4	90,943	1,688	1,874	37,068	8,467	13,840	48,390	4,551	39,809	16,418

Table 2.16 Gross domestic product by activity, 2007-2011 Cont'd

Constant 2001 prices – KSh. million

Year	Quar-ter	Real estate, renting, business services	Public admi-nistration	Education	Other services	FISIM	All industries at basic prices	All industries excl. agri-culture	Taxes on products	GDP at market prices	GDP, seaso-nally adjusted
2007	1	17,092	11,266	19,174	20,421	-3,094	276,013	200,119	43,263	319,276	325,713
	2	17,783	11,447	18,949	20,569	-3,118	275,542	206,633	44,118	319,661	334,143
	3	18,296	11,321	18,951	20,718	-3,041	301,887	216,008	46,774	348,660	336,038
	4	17,689	10,996	19,183	20,867	-2,920	302,549	212,807	46,700	349,249	341,767
2008	1	17,439	11,161	20,114	21,039	-2,685	276,660	204,564	46,077	322,737	328,111
	2	19,960	11,420	20,252	21,193	-2,627	283,238	214,064	43,402	326,640	341,260
	3	19,436	11,385	20,262	21,357	-2,503	306,926	225,433	50,754	357,680	343,708
	4	16,668	11,352	20,143	21,532	-2,669	301,557	216,967	48,649	350,206	345,329
2009	1	18,875	11,281	20,892	21,757	-2,854	295,512	224,517	47,937	343,449	347,027
	2	22,318	11,494	20,594	21,916	-3,004	287,910	221,630	45,343	333,253	348,559
	3	18,178	11,585	20,590	22,042	-3,059	314,052	235,291	50,343	364,395	349,885
	4	16,304	11,671	20,876	22,134	-3,028	300,796	217,401	52,494	353,290	350,076
2010	1	19,601	11,465	21,594	22,193	-2,810	309,638	234,444	50,069	359,706	361,346
	2	22,529	11,745	21,576	22,317	-2,771	299,658	231,255	49,698	349,356	366,194
	3	18,898	11,882	21,654	22,505	-2,803	333,153	247,511	53,149	386,302	370,901
	4	17,062	11,994	21,828	22,757	-2,875	324,333	234,986	55,065	379,398	376,691
2011	1	20,695	11,784	22,569	23,073	-2,887	324,120	248,698	55,088	379,208	379,701
	2	22,942	12,060	22,671	23,311	-2,898	310,986	239,942	50,387	361,372	379,329
	3	19,733	12,175	22,769	23,469	-3,054	343,504	257,447	58,306	401,810	385,902
	4	17,517	12,250	22,864	23,548	-3,003	336,222	245,279	60,693	396,915	394,090

Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2007-2011

Percentage changes at constant prices 2001

Year	Quar-ter	Agricul-ture and forestry	Fishing	Mining and quarrying	Manufac-turing	Electricty and water	Construc-tion	Whole-sale and retail trade	Hotels and restau-rants	Transport and com-munic-ation	Financial interme-diation
2007	1	9.0	-1.7	8.2	5.7	5.4	-4.1	9.9	5.8	8.7	6.6
	2	2.0	3.8	18.2	7.9	11.8	10.6	11.7	39.3	16.7	6.8
	3	-0.1	2.4	12.0	6.6	10.6	14.7	9.2	14.0	15.3	7.4
	4	0.0	-6.1	13.3	5.0	8.6	7.5	14.5	13.6	19.7	5.9
2008	1	-5.0	-13.8	5.3	0.7	8.7	5.2	11.4	-49.5	0.0	3.1
	2	0.4	-15.8	7.3	4.2	4.3	14.1	3.9	-43.0	0.5	3.5
	3	-5.1	-12.1	8.7	5.3	3.2	11.4	5.6	-26.5	4.6	0.4
	4	-5.7	-12.0	-8.7	3.8	5.2	1.9	-1.1	-25.7	6.7	3.7
2009	1	-1.5	-0.6	-11.9	4.7	2.5	24.5	-0.4	158.5	22.6	5.6
	2	-4.2	15.9	-4.6	-0.9	2.4	11.0	-0.9	48.5	3.9	5.5
	3	-3.4	0.6	-6.2	-1.2	-4.2	1.0	3.5	1.6	19.9	10.1
	4	-1.4	2.9	4.6	3.0	-12.6	17.8	13.5	-2.2	-18.8	7.7
2010	1	5.9	3.4	20.7	6.7	-3.0	1.2	3.4	-1.3	7.9	5.7
	2	3.2	6.6	5.2	5.4	5.2	4.3	4.1	-0.2	5.6	7.3
	3	8.7	2.1	5.9	5.8	16.8	5.7	4.9	10.3	3.1	10.4
	4	7.1	-0.2	9.4	0.5	21.6	6.5	18.6	13.0	7.9	12.6
2011	1	0.3	2.6	9.1	5.9	4.8	7.0	8.7	6.2	4.8	13.0
	2	3.9	3.7	7.5	1.9	-3.2	5.1	5.7	2.9	3.4	8.5
	3	0.5	4.9	6.6	1.7	-11.1	3.6	7.9	2.1	3.9	8.1
	4	1.8	1.6	5.6	3.8	0.0	2.0	6.7	8.2	6.2	2.3

Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2006-2011 Cont'd

Percentage changes at constant prices 2001

Year	Quar-ter	Real estate, renting, business services	Public admi-nistration	Education	Other services	FISIM	All industries at basic prices	All industries excl. agri-culture	Taxes on products	GDP at market prices	GDP, seaso-nally adjusted
2007	1	1.2	-3.6	4.7	3.5	6.9	6.1	5.1	13.7	7.1	2.2
	2	5.3	-1.4	3.8	3.3	5.3	7.3	9.2	15.0	8.3	2.6
	3	9.3	-1.2	3.7	3.1	2.9	5.9	8.6	9.0	6.3	0.6
	4	-1.3	-2.1	4.5	3.1	-3.4	5.7	8.3	11.1	6.4	1.7
2008	1	2.0	-0.9	4.9	3.0	-13.2	0.2	2.2	6.5	1.1	-4.0
	2	12.2	-0.2	6.9	3.0	-15.8	2.8	3.6	-1.6	2.2	4.0
	3	6.2	0.6	6.9	3.1	-17.7	1.7	4.4	8.5	2.6	0.7
	4	-5.8	3.2	5.0	3.2	-8.6	-0.3	2.0	4.2	0.3	0.5
2009	1	8.2	1.1	3.9	3.4	6.3	6.8	9.8	4.0	6.4	0.5
	2	11.8	0.6	1.7	3.4	14.4	1.6	3.5	4.5	2.0	0.4
	3	-6.5	1.8	1.6	3.2	22.2	2.3	4.4	-0.8	1.9	0.4
	4	-2.2	2.8	3.6	2.8	13.5	-0.3	0.2	7.9	0.9	0.1
2010	1	3.8	1.6	3.4	2.0	-1.5	4.8	4.4	4.4	4.7	3.2
	2	0.9	2.2	4.8	1.8	-7.7	4.1	4.3	9.6	4.8	1.3
	3	4.0	2.6	5.2	2.1	-8.4	6.1	5.2	5.6	6.0	1.3
	4	4.6	2.8	4.6	2.8	-5.0	7.8	8.1	4.9	7.4	1.6
2011	1	5.6	2.8	4.5	4.0	2.8	4.7	6.1	10.0	5.4	0.8
	2	1.8	2.7	5.1	4.5	4.6	3.8	3.8	1.4	3.4	-0.1
	3	4.4	2.5	5.2	4.3	8.9	3.1	4.0	9.7	4.0	1.7
	4	2.7	2.1	4.7	3.5	4.4	3.7	4.4	10.2	4.6	2.1

Chapter 3

Social Scene

Overview

Government expenditure on the social services sector continues to rise in order to counter the rapid demand for social services. The increase in expenditure during 2011/12 was partly attributed to the double intake by the public universities, and increment of personal emoluments to teachers, doctors and nurses. The total social sector expenditure is expected to rise by 10.5 per cent from KSh 260.6 billion in 2010/11 to KSh 288.0 billion in 2011/12. Local Authorities total expenditure estimate on social services increased from KSh 5,180.9 million in 2010/11 to KSh 6,291.6 million in 2011/12. The recurrent budget for the Ministry of Education increased from KSh 134.1 billion in 2010/11 to KSh 149.0 billion in 2011/12. The increase was partly attributed to the absorption of teachers on contract and increase in salaries for teachers.

3.2. The total number of educational institutions rose marginally from 74,172 in 2010 to 76,264 in 2011. This was mainly due to increased number of primary schools which rose by 3.9 per cent from 27,489 in 2010 to 28,567 in 2011. Pupils' enrolment at pre-primary schools increased by 9.1 per cent from 2.2 million in 2010 to 2.4 million in 2011 while enrolment in primary schools rose by 5.3 per cent to 9.9 million in 2011. Similarly, total enrolment in secondary schools rose by 5.9 per cent from 1.7 million in 2010 to 1.8 million in 2011. Adult education enrolment increased by 10.1 per cent from 252,553 in 2010 to 278,090 in 2011.

3.3. The number of births registered reduced from 747.6 thousand in 2010 to 746.6 thousand in 2011 while deaths decreased from 175.8 thousand in 2010 to 174.5 thousand in 2011. The registration of births and deaths coverage rates at national level reduced modestly by 2.5 per cent and 3.3 per cent, respectively.

3.4. The number of health institutions rose by 12.6 per cent from 7,111 units in 2010 to 8,006 units in 2011, with Nyanza recording the highest increase of 25.1 per cent. The total receipts for the National Hospital Insurance Fund (NHIF) increased by 13.3 per cent from KSh 6.0 billion in 2009/10 to KSh 6.8 billion in 2010/11. The registered members of NHIF also increased from 2.8 million in 2009/10 to 3.2 million in 2010/11, an increase of 14.3 per cent. The number of registered medical personnel increased by 5.7 per cent from 100,411 in 2010 to 106,086 in 2011. Full Immunization Coverage (FIC) rate for children under one year increased marginally from 1,044,121 in 2010 to 1,050,307 in 2011. Malaria and diseases of the respiratory system accounted for 52.7 per cent of all incidence of diseases reported in 2011.

3.5. The number of registered employers with the National Social Security Fund (NSSF) increased by 16.0 per cent, while total the number of registered employees rose by 7.7 per cent. During the review period, allocation and direct cash disbursement for the Orphans and Vulnerable Children (OVC) increased by 24.1 per cent and 16.9 per cent, respectively. Similarly, both the allocation and direct cash disbursement for social protection fund for older people increased tremendously, over the same period.

Social Sector Expenditure

3.6. Central Government expenditure on social sector services for the period 2007/08 to 2011/12 is shown in Table 3.1. The total social sector expenditure rose by 10.5 per cent from KSh 260.6 billion in 2010/11 to KSh 288.0 billion in 2011/12. This was mainly due to the increase in the total recurrent expenditure which went up by 10.3 per cent from KSh 226.1 billion in 2010/11 to KSh 249.3 billion in 2011/12. The recurrent expenditure to Ministry of Education rose by 11.1 per cent to account for 59.8 per cent of the total recurrent expenditure in the financial year 2011/12. The recurrent expenditure increased in all the ministries in the social sector except in the Ministry of Higher Education, Science and Technology, which recorded a decline of 1.8 per cent in 2011/12.

3.7 The total development expenditure of the social sector increased by 15.1 per cent from KSh 33.7 billion in 2010/11 to KSh 38.8 billion in 2011/12. There was a remarkable increase in development expenditure in the Ministry of Higher Education, Science and Technology which recorded 87.3 per cent, in 2011/12. The sharp increase in development expenditure for the Ministry of Higher Education, Science and Technology could be mainly attributed to the double intake by the public universities. The increase in development expenditure for the Ministry of State for National Heritage and Culture could be attributed to the preservation of more cultural sites that act as tourist attraction. The Ministry of Education and Health registered reductions in the development expenditure of 21.0 per cent and 12.5 per cent, respectively.

Table 3.1: Central Government Expenditure on Social Services, 2007/08 - 2011/12

KSh million

	2007/08	2008/09	2009/10*	2010/11+	2011/12+
RECURRENT EXPENDITURE-					
Ministry of Education	95,745.7	105,734.5	115,600.3	134,111.4	149,035.2
Ministry of Higher Education, Science and Technology[1]	15,919.8	20,356.2	23,244.7	41,833.6	41,095.9
Ministry of Health[2]	23,766.4	27,689.4	23,097.1	27,089.6	31,510.2
Ministry of Labour and Human Resource Development	932.6	999.6	1,137.3	1,314.6	1,817.2
Office of the Vice President and Ministry of Home Affairs	6,481.6	9,522.5	9,357.9	12,143.8	13,769.4
Ministry of Gender, Children and Social Development	1,069.5	1,640.2	2,432.1	2,903.1	4,151.0
Ministry of State for National Heritage and Culture	1,421.3	1,496.4	1,757.7	1,730.5	1,763.9
Minsitry of Youth Affairs and Sports	3,168.5	2,958.3	5,414.8	5,755.6	6,102.6
TOTAL	**148,505.3**	**170,397.0**	**182,041.9**	**226,882.2**	**249,245.4**
DEVELOPMENT EXPENDITURE-					
Ministry of Education	9,094.9	9,021.1	10,652.9	9,913.8	7,829.7
Ministry of Higher Education, Science and Technology[1]	2,108.9	4,767.0	3,432.0	8,181.2	15,319.5
Ministry of Health[2]	5,430.3	6,947.1	3,722.8	4,474.4	3,915.1
Ministry of Labour	347.8	399.7	266.3	1,128.1	1,067.0
Office of the Vice President and Ministry of Home Affairs	1,071.1	1,139.0	1,283.9	1,648.0	1,485.8
Ministry of Gender, Children and Social Development	1,236.8	1,421.4	2,005.5	3,281.5	4,500.2
Ministry of State for National Heritage and Culture	420.2	331.6	421.9	438.5	631.0
Minsitry of Youth Affairs and Sports	1,569.9	3,113.4	4,971.8	4,672.4	4,012.7
TOTAL	**21,279.9**	**27,140.4**	**26,757.1**	**33,737.9**	**38,761.0**
TOTAL EXPENDITURE	**169,785.2**	**197,537.4**	**208,799.0**	**260,620.1**	**288,006.5**

Source: Ministry of Finance

* Provisional

\+ Estimates including supplementaries

[1] Expenditure on Youth Polytechnics is included within the Ministry of Youth Affairs and Sports

[2] Expenditure is for both Ministry of Medical Services and Ministry of Public Health and Sanitation

3.8. Table 3.2 presents the Local Authorities expenditure on Social Services for the year 2007/08 to 2011/12. The total expenditure estimate on social services increased from KSh 5.2 billion in 2010/11 to KSh 6.3 billion in 2011/12. Expenditure on education increased by

18.2 per cent from KSh 2.2 billion in 2010/11 to KSh 2.6 billion in the financial year 2011/12. Over the same period, expenditure on health increased by 16.7 per cent to KSh 2.1 billion.

Table 3.2: Local Authorities Expenditure on Social Services, 2007/08- 2011/12

KSh million

	2007/08	2008/09	2009/10*	2010/11+	2011/12+
Education	1,684.6	1,839.9	2,054.6	2,219.9	2,619.4
Health	1,519.7	1,476.3	1,645.8	1,832.6	2,070.8
Other Social Services	686.3	945.8	1,013.0	1,128.4	1,601.4
TOTAL EXPENDITURE	3,890.6	4,262.1	4,713.5	5,180.9	6,291.6

Source: Ministry of Finance

* Provisional

+ Estimates including supplementaries

Education

3.9. **Budget estimates and expenditure**: The expenditures for the Ministries of Education, Higher Education Science and Technology and Youth Affairs and Sports are presented in Table 3.3. The gross expenditure is expected to go up by 7.7 per cent from KSh 198.1 billion in 2010/11 to KSh 213.3 billion in 2011/12. The total recurrent expenditure is expected to increase by 6.8 per cent from KSh 178.0 billion in 2010/11 to KSh 190.1 billion in 2011/12. The recurrent budget for the Ministry of Education is expected to increase from KSh 134.1 billion in 2010/11 to KSh 149.0 billion in 2011/12, on account of salary increases for teachers. The higher spending is also as a result of the absorption of teachers previously on contract. The recurrent expenditure for university education is expected to decline by 7.8 per cent from 33.8 billion in 2010/11 to 31.1 billion in 2011/2012.

3.10. Total development expenditure for the for the Ministries of Education, Higher Education Science and Technology and Youth Affairs and Sports rose by 15.4 per cent which was lower than 28.9 per cent recorded in 2010/11.The development budget for university education is expected to more than double from KSh 3.0 billion in 2010/11 to KSh 7.4 billion in 2011/12. The increase in development expenditure could be attributed to the expected double intake by the universities. The development expenditure on youth polytechnics and training is expected to decrease significantly by 19.4 per cent from KSh 1,957.8 million in 2010/11 to KSh 1,578.0 million in 2011/12.

Table 3.3: Expenditure for the Ministry's of Education, 2007/08 - 2011/12

KSh million

	2007/08	2008/09*	2009/10*	2010/11 +	2011/12 +
RECURRENT EXPENDITURE-					
Ministry of Education					
General Administration and Planning[1]	78,338.9	81,841.7	91,606.7	103,875.5	117,408.8
Pre-Primary Education	28.9	182.4	186.3	393.4	383.8
Primary Education	7,871.0	7,298.8	7,970.5	9,861.7	9,903.8
Secondary Education	8,009.7	14,622.4	14,455.5	17,840.5	19,109.1
Special Education	441.1	506.3	279.3	551.4	444.2
Teacher Education	187.7	210.6	197.4	197.1	215.2
Adult Education	554.0	739.8	576.7	956.6	1,047.3
Quality assurance and standards	149.4	171.1	160.6	253.2	270.0
Policy and planning	165.0	161.4	167.2	182.0	253.0
Sub Total	**95,745.7**	**105,734.5**	**115,600.3**	**134,111.4**	**149,035.2**
Ministry of Higher Education, Science and Technology					
General administration and planning[1]	392.0	613.3	723.7	389.5	540.5
Technical Education....	2,607.0	3,815.3	2,885.1	3,162.3	2,604.1
National Council for Science and Technology	111.8	129.2	188.4	535.5	621.1
University education	10,941.5	12,899.8	16,266.5	33,784.5	31,137.4
Higher Education support services	1,484.1	2,239.3	2,199.8	3,961.8	4,039.6
Youth Polytechnics and Training[2]	775.3	1,272.6	981.2	2,098.1	2,152.5
Sub Total	**16,311.8**	**20,969.5**	**23,244.7**	**43,931.7**	**41,095.2**
SUB-TOTAL	**112,057.5**	**126,704.0**	**138,845.0**	**178,043.1**	**190,130.4**
DEVELOPMENT EXPENDITURE-					
Ministry of Education					
General Administration and Planning	471.8	626.6	8,382.1	4,219.4	4,234.3
Pre-Primary Education	-	23.5	17.0	52.1	25.5
Primary Education	5,453.5	7,284.7	1,210.4	2,524.8	1,603.7
Secondary Education	165.0	750.2	823.8	2,876.8	1,020.8
Special Education	-	-	-	-	10.0
Teacher Education	19.0	180.0	50.0	99.4	93.2
Adult Education	-	5.8	20.0	20.0	268.0
Quality assurance and standards	-	-	57.9	94.6	187.3
Policy and planning	2,985.6	150.5	91.7	26.7	387.0
Sub Total	**9,094.9**	**9,021.1**	**10,652.9**	**9,913.8**	**7,829.8**
Ministry of Higher Education, Science and Technology					
General Administration and Planning	-	-	-	2,020.0	2,756.1
Technical Education....	284.0	1,412.0	1,088.3	3,139.0	3,580.7
National Council for Science and Technology	-	5.0	3.2	-	-
University education	693.0	1,967.0	2,340.4	3,022.2	7,404.7
Higher Education support services	-	-	-	-	-
Youth Polytechnics and Training[2]	1,131.9	1,383.0	1,476.1	1,957.8	1,578.0
Sub Total	**2,108.9**	**4,767.0**	**4,908.0**	**10,139.0**	**15,319.5**
SUB-TOTAL	**11,203.8**	**13,788.1**	**15,560.9**	**20,052.8**	**23,149.3**
GROSS TOTAL EXPENDITURE	**123,261.3**	**140,492.2**	**154,405.9**	**198,095.9**	**213,279.7**

* Provisional

\+ Budget Estimates including supplementaries

1 Includes salaries for teachers and all other education personnel

2 Expenditure is within the Ministry of Youth Affairs and Sports

3.11. **Number of Educational Institutions**: Table 3.4 presents the total number of education institutions for the period 2007 to 2011. The total number of educational institutions rose by 2.8 per cent from 74,172 in 2010 to 76,264 in 2011. The number of pre-primary schools increased by 2.5 per cent from 38,523 in 2010 to 39,500 in 2011. The number of primary schools rose by 3.9 per cent from 27,489 in 2010 to 28,567 in 2011. Secondary schools increased marginally from 7,268 in 2010 to 7,297 in 2011. The number of Teacher training colleges for pre-primary, primary and secondary education collectively increased by 1.3 per cent in 2011. The number of Technical, Industrial and Vocational Educational Training

(TIVET) increased by one institution in 2011. The number of public universities remained constant at 7 while private universities increased to 27.

Table 3.4: Number of Educational Institutions, 2007 – 2011

Numbers

Category	2007	2008	2009	2010	2011*
Schools:					
Pre-Primary					
Public	23,100	23,783	23,823	23,980	24,588
Private	14,163	14,171	14,424	14,543	14,912
Total	**37,263**	**37,954**	**38,247**	**38,523**	**39,500**
Primary:					
Public	18,063	18,130	18,543	19,059	19,848
Private	8,041	8,076	8,124	8,430	8,719
Total	**26,104**	**26,206**	**26,667**	**27,489**	**28,567**
Secondary:					
Public	4,245	4,454	5,019	5,296	5,311
Private	2,240	2,112	1,952	1,972	1,986
Total	**6,485**	**6,566**	**6,971**	**7,268**	**7,297**
Teacher Training Colleges:					
Pre primary					
Public	21	21	20	20	20
Private	12	13	51	101	102
Sub Total	**33**	**34**	**71**	**121**	**122**
Primary					
Public	21	21	20	21	21
Private	12	75	85	89	91
Sub Total	**33**	**96**	**105**	**110**	**112**
Secondary+	3	2	3	3	3
Total	**69**	**132**	**179**	**234**	**237**
TIVET Institutions					
Youth Polytechnics+	574	576	579	582	585
Institutes of Technology	22	23	17	14	14
Technical Training Institutes	23	24	19	26	26
National Polytechnics	4	4	2	2	2
Polytechnic University Colleges	-	-	2	2	2
Total	**623**	**627**	**619**	**626**	**629**
Universities					
Public	7	7	7	7	7
Private	21	21	24	25	27
Total	**28**	**28**	**31**	**32**	**34**
GRAND TOTAL	**70,572**	**71,513**	**72,714**	**74,172**	**76,264**

Source : Ministry of Education and Ministry of Youth Affairs and Sports

* Provisional.

+ Estimates

3.12. **Pre - Primary Education**: Table 3.5 shows pupil enrolment and teacher numbers in Early Childhood Development (ECD) Centers from 2007 to 2011. There was an increase of 9.1 per cent in enrolment in pre-primary education centers from 2.2 million in 2010 to 2.4 million in 2011. Enrolment of girls increased by 9.4 per cent compared to 6.8 per cent of boys in 2011. The number of ECD teachers rose by 2.9 per cent from 94,429 in 2010 to 97,146 in 2011. The number of trained ECD teachers increased by 3.6 per cent to 75,615, while that of untrained teachers rose marginally to 21,530 in 2011. Over the years, the number of trained female teachers has remained higher than that of male teachers. The Pupil Teacher Ratio in ECD slightly worsened from 23:1 in 2010 to 24:1 in 2011. As shown in Figure 3.1, the Gross Enrolment Rate (GER) and Net Enrolment Rate (NER) increased by 4.7 and 2.4 percentage points, respectively, in 2011.

Table 3.5: Pupil Enrolment and Teacher Numbers in ECD Centers, 2007 - 2011

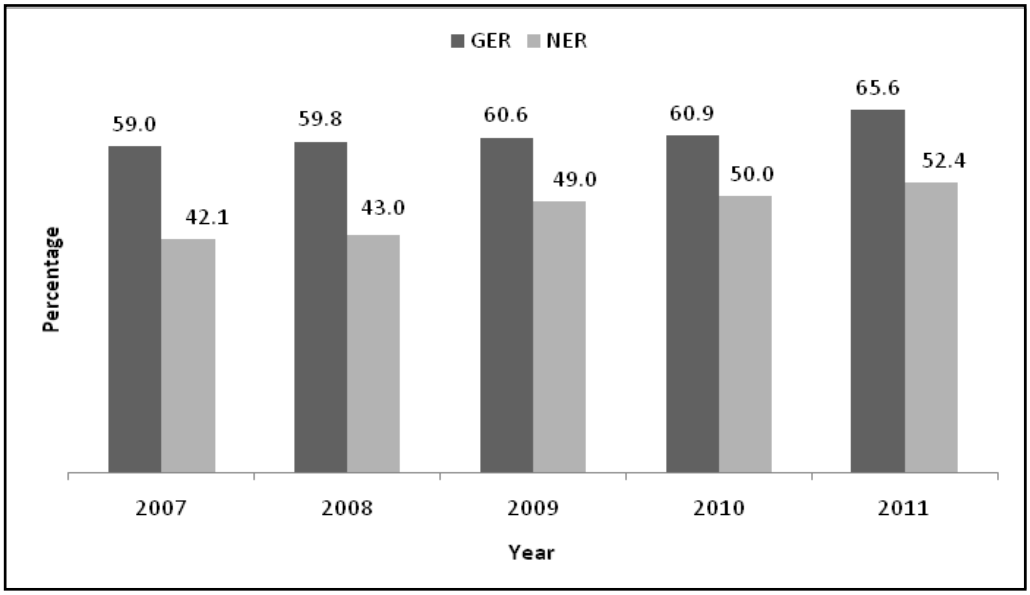
Number

	2007	2008	2009	2010	2011*
Enrolment					
Boys	876,163	885,320	967,544	1,100,890	1,175,530
Girls	814,930	834,925	946,678	1,092,181	1,194,518
TOTAL	**1,691,093**	**1,720,245**	**1,914,222**	**2,193,071**	**2,370,049**
Number of Teachers					
Male Trained	5,331	5,965	10,346	10,553	10,658
Female Trained	48,846	52,011	61,234	62,459	64,957
Sub Total	**54,177**	**57,976**	**71,580**	**73,012**	**75,615**
Male Untrained	4,357	4,124	5,345	5,356	5,372
Female Untrained	17,790	16,130	16,030	16,062	16,158
Sub Total	**22,147**	**20,254**	**21,375**	**21,418**	**21,530**
TOTAL	**76,324**	**78,230**	**92,955**	**94,429**	**97,146**

Source: Ministry of Education

* Provisional

Figure 3.1: Pre-primary Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2007-2011



3.13. **Primary Education:** Primary school enrolment by standard and sex for the period 2007 to 2011 is presented in Table 3.6. Enrolment in primary schools rose by 5.3 per cent from 9.4 million in 2010 to 9.9 million in 2011. During the year under review, the number of girls increased faster by 6.5 per cent compared to 4.2 per cent for boys, thus narrowing the gender disparity. The number of boys who reached standard 5 were 620.7 thousand in 2011 compared to 667.9 thousand who joined standard one in 2007, a drop of 7.7 per cent. Similarly, the number of girls enrolment in standard 5 dropped by 3.3 per cent from 644.2 thousand in 2007 to 622.9 thousand in 2011.

Table 3.6: Primary School Enrolment by Standard and Sex, 2007 – 2011

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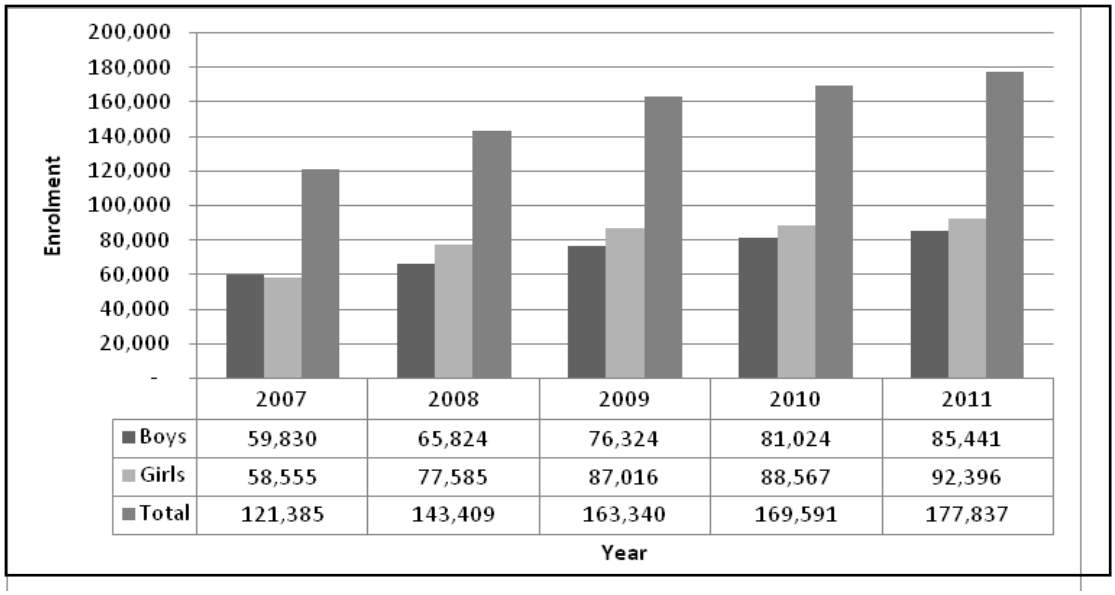
Class	2007		2008		2009		2010		2011*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	667.9	644.2	663.9	652.2	670.9	655.7	736.7	731.8	754.5	749.4
Standard 2	622.4	593.9	632.7	595.8	651.8	638.1	679.9	656.1	691.1	688.8
Standard 3	603.7	584.6	596.4	584.2	624.8	588.2	643.3	607.5	665.1	647.0
Standard 4	552.8	541.0	591.4	580.0	586.4	563.3	633.0	608.8	674.1	648.4
Standard 5	519.0	480.2	543.0	539.0	577.4	558.6	582.8	584.8	620.7	622.9
Standard 6	464.0	444.4	510.1	469.4	523.6	511.5	558.0	562.1	594.3	588.7
Standard 7	420.9	410.1	458.2	445.7	497.5	456.6	531.3	523.4	565.8	557.4
Standard 8	372.1	332.7	366.8	335.1	377.1	350.0	386.8	354.7	411.9	377.7
TOTAL ..	**4,222.8**	**4,031.0**	**4,362.5**	**4,201.3**	**4,509.4**	**4,322.0**	**4,751.9**	**4,629.3**	**4,977.7**	**4,880.2**
GRAND TOTAL	**8,253.8**		**8,563.8**		**8,831.4**		**9,381.2**		**9,857.9**	

Source : Ministry of Education

* Provisional

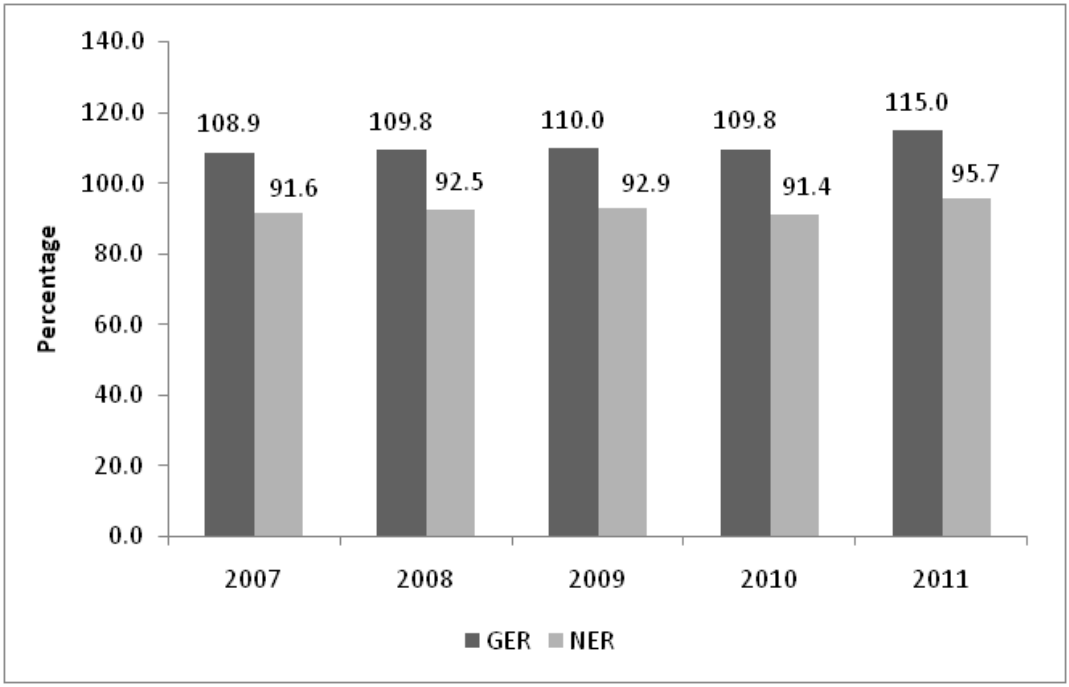
3.14. Figure 3.2 shows the enrolment trends in Non-Formal Education (NFE) centers from 2007 to 2011. There was an increase of 4.9 per cent in the enrolment in NFE from 169,591 in 2010 to 177,837 in 2011 where majority of enrolments were in informal settlements of Nairobi and the Arid and Semi-arid districts. Most of NFE covers the formal primary school curriculum with less than a third offering NFE learning curriculum. The continued increase in NFE enrolment could be attributed to increase in demand for education by the people who are above primary school going age.

Figure 3.2: Non-Formal Schools Enrolment, 2007-2011



3.15. Figure 3.3 presents the primary school GER and NER from 2007 to 2011. Over the review period, the GER and NER have been above 100.0 per cent and 90.0 per cent, respectively, suggesting high participation rates. Compared to 2010, the GER and NER rose by 5.2 and 4.3 percentage points, respectively, in 2011.

Figure 3.3: Primary School Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2007-2011



3.16. **Kenya Certificate of Primary Education (KCPE):** The mean subject percentage score in KCPE and the number of candidates by sex from 2007 to 2011 are presented in Table 3.7. The number of candidates increased by 4.0 per cent from 746,080 in 2010 to 776,214 in 2011. The number of female candidates rose by 4.9 per cent to 375,400 in 2011 compared to the number of male candidates which increased by 3.2 per cent to 400,814 over the same period. The national mean score declined from a mean score of 54.32 in 2010 to 53.02 in 2011. The decline in the KCPE performance was a result of poor performance in all subjects except Science, Kiswahili *Insha* and Religious Education which recorded increases in their mean scores. The worst performed subject was Kiswahili *Lugha* whose mean score dropped from 52.76 in 2010 to 41.46 in 2011 while the best performed subject was Science with a mean score of 67.48.

Table 3.7: Mean Subject Percentage Score in KCPE and Number of Candidates by Sex, 2007-2011

	2007	2008	2009	2010	2011*
Number of candidates					
Male	372,054	367,356	381,600	388,221	400,814
Female	332,654	328,354	345,500	357,859	375,400
Total	**704,708**	**695,710**	**727,100**	**746,080**	**776,214**
Subject	Mean score (%)				
English Langauage	47.02	41.58	45.76	49.12	47.10
English Composition	39.68	40.48	40.48	42.7	42.45
Kiswahili Lugha	51.02	56.60	57.28	52.76	41.46
Kiswahili Insha	42.45	46.00	53.68	50.3	54.68
Mathematics	49.24	47.16	49.56	53.8	52.18
Science	59.44	55.24	59.92	60.86	67.48
Social Studies	60.13	61.35	62.42	64.93	56.32
Religious Education	58.83	60.41	61.60	60.07	62.45
National Mean Score	**50.98**	**51.10**	**53.84**	**54.32**	**53.02**

Source: Kenya National Examination Council

* Provisional

3.17. The Pupil Completion Rate (PCR) and primary to secondary transition rate for the period 2007 to 2011 are shown in Figure 3.4. The PCR declined from 76.8 per cent in 2010 to 74.6 per cent in 2011. The decline in PCR could be attributed to dropouts and repetitions occasioned by the class performance and socio-economic factors such as early marriages, pregnancies, poverty and child labour. The primary to secondary schools transition rate increased from 72.5 per cent in 2010 to 73.3 per cent in 2011.

3.18. **Primary Teachers:** Table 3.8 shows the number of public primary school teachers by qualification and sex from 2007 to 2011. The total number of teachers in public primary schools increased from 173,388 in 2010 to 174,267 in 2011. The total number of male teachers and their female counterparts each increased marginally. Over the review period, the number of approved graduate teachers increased by 16.0 per cent to 50,783, mainly due to upgrading of diploma teachers and promotion of the P1 teachers. This resulted in an increase of 4.8 per cent in the number of P1 teachers from 91,596 in 2010 to 95,979 in 2011. The total number of P2 teachers decreased by 10.1 per cent from 7,854 in 2010 to 7,060 in 2011. Over the same period, the number of Diploma/SI teachers dropped by 2.3 per cent.

Figure 3.4: Primary to Secondary Transition Rate and Pupil Completion Rate (PCR), 2007-2011

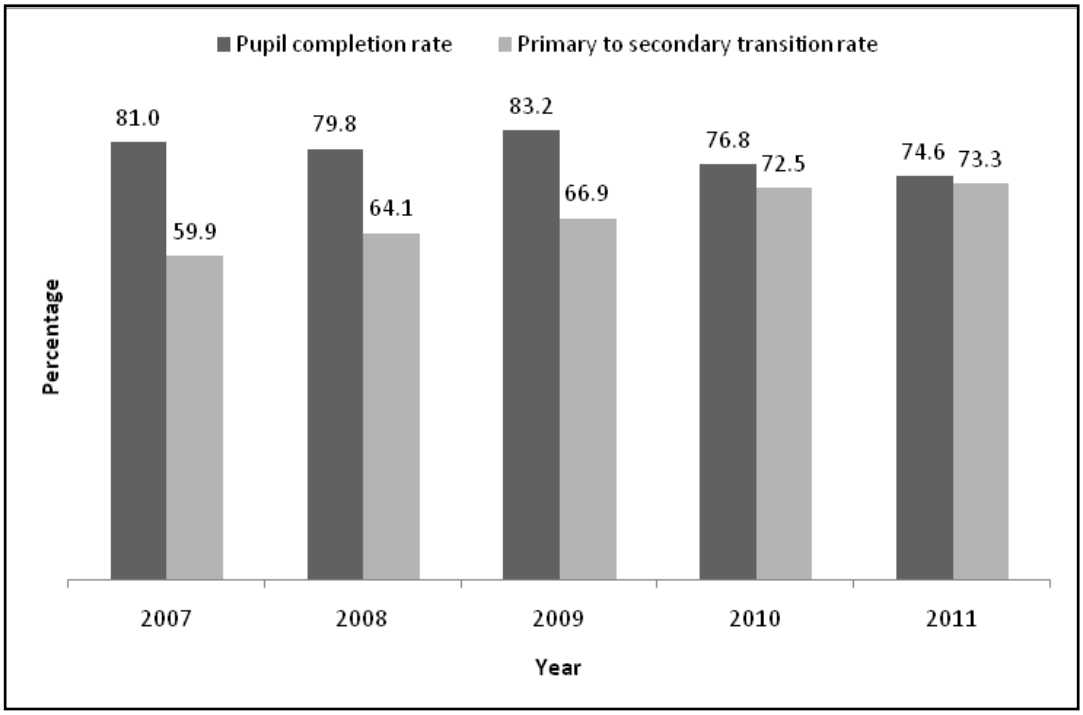


Table 3.8: Number of Public Primary School Teachers by Qualification and Sex1, 2007 – 2011

Number

	2007			2008			2009			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	608	470	1,078	658	490	1,148	801	708	1,509	895	778	1,673	3,210	3,052	6,262
Approved	23,033	20,135	43,168	22,003	21,010	43,013	22,404	21,403	43,807	22,388	21,401	43,789	29,801	20,982	50,783
S1/Diploma	7,060	7,527	14,587	7,054	7,456	14,510	7,133	7,486	14,619	7,109	7,407	14,516	6,439	7,744	14,183
P1	54,741	44,250	98,991	55,241	44,160	99,401	55,235	44,146	99,381	48,862	42,734	91,596	47,965	48,014	95,979
P2	6,805	5,213	12,018	6,802	5,185	11,987	6,801	5,184	11,985	3,847	4,007	7,854	3,209	3,851	7,060
P3	809	992	1,801	..	..	..	..	..	..	..	..	..	..	..	..
Contract Teachers	..	..	..	..	..	..	..	..	..	7,085	6,875	13,960	..	..	..
TOTAL	93,056	78,587	171,643	91,758	78,301	170,059	92,374	78,927	171,301	90,186	83,202	173,388	90,624	83,643	174,267
UNTRAINED													-	-	-
K.C.E./K.C.S.E.	568	120	688	..	..	..	..	..	..	..	..	..	..	..	..
K.J.S.E	84	29	113	..	..	..	..	..	..	..	..	..	..	..	..
C.P.E. and Others	556	157	713	..	..	..	..	..	..	..	..	..	..	..	..
TOTAL	1,208	306	1,514	..	..	..	..	..	..	..	..	..	..	..	..
GRAND TOTAL	94,264	78,893	173,157	91,758	78,301	170,059	92,374	78,927	171,301	90,186	83,202	173,388	90,624	83,643	174,267

Source : Ministry of Education/Teachers Service Commision

* Provisional

[1] Data enclusively for public schools and does not include teachers on study leave, disciplinary cases and those performing non-teaching duties.

¨ Not applicable

3.19. **Secondary Education:** The continued implementation of Free Tuition Secondary Education (FTSE) together with other government initiatives such as Constituency Development Fund (CDF) have increased access to secondary education. Table 3.9 presents enrolment in secondary schools by class and sex from 2007 to 2011. During the period under review, the total enrolment in secondary school rose by 5.9 per cent from 1.7 million in 2010 to 1.8 million in 2011. Girls' enrolment increased by 4.1 per cent from 767,847 in 2010 to 819,014 in 2011 while boys' enrolment rose by 3.7 per cent to 948,706 in 2011. The relatively faster increase in the girls' enrolment was attributed to the promotion of girl child.

Table 3.9: Enrolment in Secondary Schools by Class and Sex, 2007 – 2011

Number

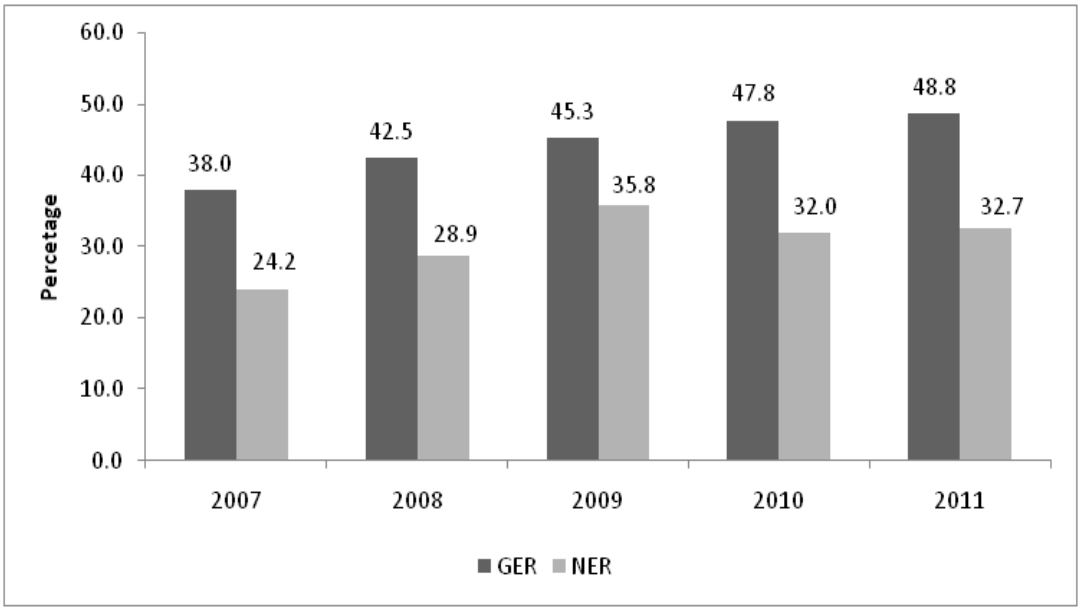
	2007		2008		2009		2010		2011*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Form 1	170,650	143,045	207,212	180,461	232,854	212,467	266,707	232,226	276,965	244,636
Form 2	173,165	149,840	170,487	142,873	202,045	175,098	232,145	211,799	240,552	219,469
Form 3	157,572	134,793	181,775	155,798	170,281	142,579	216,786	181,823	224,637	188,408
Form 4	137,304	113,899	161,026	136,275	182,764	154,546	169,899	141,999	206,552	166,501
TOTAL	638,690	541,577	720,500	615,407	787,944	684,690	885,537	767,847	948,706	819,014
GRAND TOTAL	**1,180,267**		**1,335,907**		**1,472,634**		**1,653,384**		**1,767,720**	

Source : Ministry of Education

* Provisional.

3.20. Trends in secondary school GER and NER between 2007 and 2011 are shown in Figure 3.5. Over the five year period, GER has been increasing more than the NER, suggesting a high number of over-age and under-age students attending secondary schools. Secondary school GER rose from 47.8 per cent in 2010 to 48.8 per cent in 2011. Similarly, NER increased by 0.7 percentage points to 32.7 per cent in 2011. The increase in GER and NER between 2010 and 2011 could be attributed to the implementation of FTSE as well as expansion of school facilities.

Figure 3.5: Secondary School Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2007-2011



3.21. **Kenya Certificate of Secondary Education (KCSE) Results:** Table 3.10 shows the number of candidates by mean grade attained in KCSE from 2007 to 2011 by sex and mean grade. The number of KCSE candidates increased by 15.9 per cent from 354,341 in 2010 to 410,586 in 2011. During the year under review, the number of males and females increased by 16.5 and 15.1 per cent, respectively. The number of candidates with mean grade C+ and above increased from 97,134 in 2010 to 119,658 in 2011, thus resulting in more students meeting university admission threshold.

Table 3.10 (a): National trends in KCSE candidates mean grade by Sex, 2007-2011

Number

KCSE Grade	2007		2008		2009		2010		2011*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
A	806	351	489	328	629	301	934	632	1,315	615
A-	3,863	1,231	3,413	1,748	3,035	1,387	4,425	2,140	6,322	2,741
B+	6,569	2,560	6,143	3,222	6,361	2,979	8,620	4,117	11,150	5,240
B	9,538	4,825	8,576	4,793	9,601	5,359	11,616	6,557	14,793	8,151
B-	13,228	8,647	11,026	7,397	13,312	8,511	15,103	9,624	18,344	11,771
C+	17,257	13,259	14,663	10,851	17,171	12,402	19,502	13,864	22,474	16,742
C	19,847	16,981	18,763	15,357	22,327	17,418	24,329	19,440	27,631	22,334
C-	21,151	19,424	23,091	19,828	27,067	22,669	28,178	24,232	31,955	26,890
D+	21,484	21,504	25,986	22,967	30,133	25,943	30,497	26,265	34,093	29,760
D	20,312	21,435	27,159	26,449	29,846	29,173	29,532	27,329	32,995	31,397
D-	11,835	12,632	20,395	21,689	19,956	22,318	20,245	20,962	23,741	23,532
E	1,510	1,442	3,665	3,402	3,037	2,881	3,227	2,971	3,684	2,916
Total	**147,400**	**124,291**	**163,369**	**138,031**	**182,475**	**151,341**	**196,208**	**158,133**	**228,497**	**182,089**
Grand Total		**271,691**		**301,400**		**333,816**		**354,341**		**410,586**

Source: Kenya National Examination Council(KNEC)

* Provisional

3.22. **Secondary School Teachers:** There was an increase of 7.0 per cent in the number of secondary school teachers from 53,047 in 2010 to 56,735 in 2011 as presented in Table 3.11. In terms of gender, there were 35,245 male compared to 21,317 female teachers in 2011. Graduate teachers increased by 10.3 per cent from 40,464 in 2010 to 44,647 in 2011. On the other hand, approved graduate teachers declined by 5.9 per cent from 7,642 in 2010 to 7,188 in 2011. During the period under review, some contracted teachers were absorbed by the government resulting in an increase in the number of trained teachers

Table 3.11: Number of Public Secondary School Teachers by Qualification and Sex[1], 2007 – 2011

Number

TEACHERS	2007			2008			2009			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	21,565	11,934	33,499	22,431	12,572	35,003	24,009	15,501	39,510	24,989	15,475	40,464	27,815	16,832	44,647
Approved	5,225	2,747	7,972	5,435	2,894	8,329	5,329	2,397	7,726	5,297	2,345	7,642	4,677	2,511	7,188
S1/Diploma	101	68	169	105	72	177	95	74	169	81	59	140	2,132	1,730	3,862
TECHNICAL	371	172	543	386	181	567	361	192	553	324	165	489	621	244	865
Contract Teachers	..	..	..	..	..	..	..	..	..	2,435	1,765	4,200	..	..	..
TOTAL	**27,262**	**14,921**	**42,183**	**28,357**	**15,719**	**44,076**	**29,794**	**18,164**	**47,958**	**33,126**	**19,809**	**52,935**	**35,245**	**21,317**	**56,562**
UNTRAINED															
Graduate	133	19	152	138	20	158	76	11	87	75	9	84	6	2	8
Dip/Technical	47	21	68	49	22	71	31	11	42	21	7	28	152	13	165
TOTAL	**180**	**40**	**220**	**187**	**42**	**229**	**107**	**22**	**129**	**96**	**16**	**112**	**158**	**15**	**173**
GRAND TOTAL	**27,442**	**14,961**	**42,403**	**28,544**	**15,761**	**44,305**	**29,901**	**18,186**	**48,087**	**33,222**	**19,825**	**53,047**	**35,403**	**21,332**	**56,735**

Source : Ministry of Education

* Provisional

[1]Public schools data and excludes teachers on study leave, disciplinary cases and those performing non-teaching duties

.. Not Applicable

3.23. **Teacher Training Institutions:** Teacher trainee enrolment by certification and sex from 2007 to 2011 is shown in Table 3.12. The teacher trainee enrolment rose by 3.9 per cent from 28,466 in 2010 to 29,571 in 2011. During the year under review, enrolment of P1 Teacher trainees increased by 5.8 per cent, to 27,920. During the same period, enrolment of Diploma trainees dropped by 20.5 per cent to 1,651. Female enrolment in Public Primary Teacher training colleges increased by 3.0 per cent from 8,938 in 2010 to 9,207 in 2011. In the same institutions, male enrolment increased by 1.6 per cent from 8,812 in 2010 to 8,951 in 2011. Enrolment in private teacher training colleges increased by 13.0 per cent from 8,640 in 2010 to 9,762 in 2011. Female teacher trainees undertaking Diploma decreased by 23.3 per cent to 624 in 2011, while male enrolment decreased by 18.6 per cent to 1,027 in 2011. The drop may be as a result of upgrading some Diploma colleges to university constituent colleges.

Table 3.12: Teacher Trainees Enrolment by Year and Sex, 2007- 2011

Number

TYPE OF	2007		2008		2009		2010		2011*	
INSTITUTION/	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Primary Teachers (P 1)										
1st Year	4,621	4,435	4,134	3,908	4,121	4,313	4,579	4,763	4,372	4,444
2nd Year	4,201	4,589	4,601	4,402	4,260	3,944	4,233	4,175	4,579	4,763
Sub Total	**8,822**	**9,024**	**8,735**	**8,310**	**8,381**	**8,257**	**8,812**	**8,938**	**8,951**	**9,207**
Private Primary Teachers (P 1)	**1,524**	**1,599**	**2,672**	**2,702**	**3,453**	**4,231**	**4,353**	**4,287**	**4,918**	**4,844**
SUB TOTAL	**10,346**	**10,623**	**11,407**	**11,012**	**11,834**	**12,488**	**13,165**	**13,225**	**13,869**	**14,051**
Diploma Teachers[1]										
1st Year	422	301	452	204	365	322	460	328	338	206
2nd Year	359	295	403	297	445	198	361	311	344	231
3rd Year	301	261	358	293	385	287	441	175	345	187
SUB TOTAL	**1,082**	**857**	**1,213**	**794**	**1,195**	**807**	**1,262**	**814**	**1,027**	**624**
TOTAL	**11,428**	**11,480**	**12,620**	**11,806**	**13,029**	**13,295**	**14,427**	**14,039**	**14,896**	**14,675**
GRAND TOTAL	**22,908**		**24,426**		**26,324**		**28,466**		**29,571**	

Source: Ministry of Education, TSC

*Provisional

[1]Kibabii, Kagumo and Kenya Technical Teachers Training College

3.24. **Technical, Industrial and Vocational Educational Training Institutions (TIVET)**: Enrolment trends from 2008 to 2011, in TIVET institutions are shown in Table 3.13. The enrolment rose by 26.0 per cent from 82,653 in 2010 to 104,173 in 2011. Net enrolment increased by 27.7 per cent in 2011 compared to a 24.4 per cent increase in the female enrolment over the same period. Enrolment in National Polytechnics increased by 29.5 per cent from 15,778 in 2010 to 20,427 in 2011. Kenya Polytechnic University College and Mombasa Polytechnic University College accounted for 60.0 per cent of the enrolment. The increase in enrolment at Youth Polytechnics is mainly due to subsidized tuition fees since 2008.

Table 3.13: Student Enrolment by Sex in Technical Institutions, 2007 – 2011

Number

INSTITUTION	2007		2008		2009		2010		2011*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
National Polytechnics										
Kenya Polytechnic										
University College [1]	6,521	3,401	6,602	3,546	2,642	1,156	2,904	1,357	2,360	4,512
Mombasa Polytechnic										
University College [1]	3,285	3,012	3,456	3,543	3,518	2,152	2,041	3,276	3,558	1,794
Kisumu Polytechnic	1,489	824	1,768	1,022	2,276	1,472	1,798	781	1,990	936
Eldoret Polytechnic	1,894	858	1,996	987	1,949	1,302	1,903	1,718	3,132	2,145
Sub Total	**13,189**	**8,095**	**13,822**	**9,098**	**10,385**	**6,082**	**8,646**	**7,132**	**11,040**	**9,387**
Other TIVET Institutions										
Technical Training Institutes	10,818	9,517	12,132	9,876	12,514	9,923	12,908	9,970	16,719	13,255
Institutes of Technology	5,407	4,473	5,807	4,768	5920	4813	6,035	4,858	10,179	8,607
Sub Total	**16,225**	**13,990**	**17,939**	**14,644**	**18,434**	**14,736**	**18,943**	**14,829**	**26,898**	**21,862**
Youth Polytechnics	9,528	15,489	12,154	17,543	13,222	18,122	14,384	18,720	15,648	19,338
TOTAL	**38,942**	**37,574**	**43,915**	**41,285**	**42,041**	**38,940**	**41,973**	**40,680**	**53,586**	**50,587**
GRAND TOTAL	**76,516**		**85,200**		**80,981**		**82,653**		**104,173**	

Source: Ministry of Higher Education, Science & Technology and Ministry of State for Youth and Sports

* Provisional

[1] Diploma and Certificate courses only

3.25. **University Education:** Student enrolment by sex in public and private universities between 2007/08 and 2011/12 academic years is depicted in Table 3.14. During the 2011/12 academic year, there was double intake of students who sat KCSE in 2009 and 2010. Overall, enrolment in all the universities increased by 11.6 per cent from 177,618 in 2010/11 to 198,260 in 2011/12. Over the same period, total female enrolment in all the universities grew by 15.3 per cent compared to male enrolment of 9.3 per cent.

Table 3.14: Student Enrolment by Sex in Universities, 2007/2008 - 2011/2012

INSTITUTION	2007/08		2008/09		2009/10		2010/11		2011/12*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Universities										
Nairobi[1]	23,513	12,826	24,162	13,253	27,159	15,201	31,237	18,127	27,084	17,219
Kenyatta	10,172	8,425	10,652	8,713	15,615	10,876	18,739	13,795	21,328	15,892
Moi	8,674	6,158	8,982	6,379	13,600	6,699	11,963	9,143	14,124	11,409
Egerton	8,262	4,205	8,667	4,415	9,036	4,451	6,095	4,453	7,050	5,095
Jomo Kenyatta (JKUAT)	5,450	2,512	5,723	2,594	6,510	3,206	6,677	2,713	9,818	4,119
Maseno	3,487	2,199	3,603	2,257	3,331	2,176	3400	1927	2809	1742
Masinde Muliro	946	278	965	284	4,119	2,584	4,142	2,320	10,958	6,402
Kenya Poly University College	-	-	-	-	6,721	4,211	850	135	187	642
Mombasa Poly University College	-	-	-	-	3,520	3,541	2,828	1,226	1,000	1,038
SUB-TOTAL	**60,504**	**36,603**	**62,753**	**37,896**	**89,611**	**52,945**	**85,931**	**53,839**	**94,358**	**63,558**
Private Universities										
Private Accredited	9,688	10,469	10,172	10,992	16,728	12,300	17,564	13,763	18,864	14,575
Private Unaccredited	583	392	618	416	3,989	2,162	4,228	2,292	4,478	2,427
SUB-TOTAL	10,271	10,861	10,790	11,408	20,717	14,462	21,793	16,055	23,342	17,002
TOTAL	**70,775**	**47,464**	**73,543**	**49,304**	**110,328**	**67,407**	**107,724**	**69,894**	**117,700**	**80,560**
GRAND TOTAL	**118,239**		**122,847**		**177,735**		**177,618**		**198,260**	

Source: Commision for Higher Education/Universities

* Provisional

.. Not applicable

[1] Figures for 2011/12 academic year excludes admission for Module II and External studies students to take place in May 2012

3.26: **Registration of Universities and Degree Offering Institutions**: Table 3.15 presents registration of Universities and Degree offering institutions from 2007 to 2011. The number of Chartered Private Universities increased marginally from 13 in 2010 to 14 in 2011 while the number of registered universities declined from 3 to 2. The number of Public University constituent colleges increased from 15 in 2010 to 23 in 2011. The high demand for university places due to the increase in intake by the Joint Admissions Board was partly fulfilled by the increased number of university colleges.

Table 3.15: Registration of Universities and Degree offering Institutions, 2007-2011

Number

Category of Institutions	2007	2009	2010	2011
Chartered private universities	7	11	13	14
Universities with letter of Interim Authority	4	9	9	11
Registered universities	5	4	3	2
Institutions approved for collaboration with universities in offering university programmes	18	29	32	33
Public universities	6	7	7	7
Public university constituent colleges	1	14	15	23
Public university campuses established	-	3	27	30

Source: Commision for Higher Education

3.27The number of approved degree programmes and validated diplomas are presented in Table 3.16. The number of validated diploma programmes increased from 113 in 2010 to 134 in 2011. Over the same period, the number of approved private university degree programmes by the Commission for Higher Education rose from 87 to 109.

Table 3.16: Approved degree programmes and validated diploma programmes as at 2007-2011

Number

Programme	2007	2009	2010	2011*
Approved private university degree programmes	12	82	87	109
Approved degree programmes for collaboration with universities	29	46	49	38
Validated diploma programmes	50	105	113	134

Source: Commision for Higher Education

* Provisional

Vital Statistics

3.28. Registration of births and deaths by province from for the last five years are presented in Table 3.17. The number of births registered reduced marginally from 747,576 in 2010 to 746,643 in 2011, while deaths reduced by 0.7 per cent to 174,487 in 2011. Rift Valley and Nyanza provinces reported the highest number of births in 2011 while North Eastern province reported least number of births. The same trend is observed in the provinces with regard to deaths.

Table 3.17: Registration of Births and Deaths, 2007– 2011

Number

Province	2007		2008		2009		2010		2011*	
	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths
Nairobi	71,884	20,648	83,000	21,248	89,323	22,737	85,215	20,449	99,040	21,563
Coast	74,285	17,332	73,809	15,773	58,808	14,055	56,052	13,534	74,153	14,795
North Eastern	16,333	763	17,640	817	18,007	854	22,692	1,103	24,025	1,456
Eastern	90,285	28,298	100,000	27,612	95,451	29,660	108,325	26,367	93,221	24,255
Central	92,504	28,312	98,122	25,564	94,688	24,933	82,693	26,732	88,698	22,426
Western	72,267	25,529	79,408	29,112	71,828	25,781	122,409	24,975	89,922	26,768
Nyanza	78,067	38,937	87,723	45,476	85,275	38,357	107,666	32,773	101,230	29,356
Rift Valley	137,509	34,679	139,902	33,965	151,336	33,259	162,524	29,827	176,354	33,868
Total	**633,134**	**194,498**	**679,604**	**199,567**	**664,716**	**189,636**	**747,576**	**175,760**	**746,643**	**174,487**

Source: Department of Civil Registration

* Provisional

3.29. The registration coverage rates for both births and deaths for the years 2007 to 2011 are analyzed in Table 3.18. They indicate marginal reductions of 2.5 and 3.3 percentage points for registered births and deaths to 52.6 per cent and 44.0 per cent nationally. During the period under review, most of the provinces recorded reduction in births and deaths except Nairobi and North Eastern provinces. The registration rates for births and deaths for Nairobi province increased by 6.5 and 1.9 percentage points to 93.3 per cent and 69.9 per cent, respectively, in 2011. Similarly, the registration rates for births and deaths for North Eastern province increased by 1.6 and 2.4 percentage points to 21.8 per cent and 8.4 per cent, respectively, in 2011. The slight improvement witnessed in Nairobi and North Eastern province in the registration of births and deaths is attributed to renewed efforts in public sensitization in the review period.

Table 3.18: Coverage Rates of Births and Deaths by Province, 2007 – 2011

Percent

PROVINCE	2007		2008		2009		2010		2011*	
	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths
Nairobi	76.4	75.5	85.4	75.2	85.6	73.2	86.8	68.0	93.3	69.9
Coast	66.2	47.1	55.6	42.0	39.0	54.0	55.5	68.1	49.3	34.8
North Eastern	24.6	6.1	25.3	6.3	25.3	7.6	20.2	6.0	21.8	8.4
Eastern	45.0	55.5	47.4	53.7	38.9	28.7	55.5	32.7	39.1	42.0
Central	74.6	79.8	72.6	71.8	63.7	31.2	69.0	30.8	58.0	55.7
Western	40.9	43.9	43.3	49.2	34.5	47.5	45.9	46.1	26.2	24.6
Nyanza	30.8	40.8	37.8	47.2	30.9	37.1	71.2	33.6	38.5	26.9
Rift Valley	32.9	46.1	34.2	44.2	32.6	37.1	71.2	33.7	55.8	31.2
National	**44.9**	**47.9**	**46.7**	**48.4**	**51.5**	**48.3**	**55.1**	**47.3**	**52.6**	**44.0**

Source: Department of Civil Registration

* Provisional

Causes of Death

3.30. Analysis of the ten major causes of deaths by Province in the year 2011 is provided in Table 3.19. Malaria and pneumonia were the leading killer diseases in 2011, accounting for 24.5 per cent and 20.5 per cent of the total causes of death, respectively. Similarly, Acquired Immuno-deficiency Syndrome (AIDS) and cancer accounted for substantial shares of 10.5 per cent and 10.3 per cent, respectively, in 2011.

Table 3.19: Cause of Death by Province for the year 2011

Number

Cause of Death	Nairobi	Central	Western	Coast	Nyanza	Eastern	North Rift	South Rift	North Eastern	TOTAL
Tuberculosis	1,676	988	1,323	825	2,313	2,744	825	928	57	11,679
Cancer	1,093	1,630	2,011	808	1,469	2,658	1,133	1,014	91	11,907
Malaria	1,500	782	8,460	1,502	6,368	6,428	1,932	1,287	101	28,360
Meningitis	763	588	439	311	836	1,008	289	478	11	4,723
Anaemia	546	598	1,485	998	1,436	1,805	682	616	42	8,208
Heart Disease	706	586	454	229	668	1,204	482	401	13	4,743
Pneumonia	2,722	3,854	2,332	1,249	2,868	6,340	1,629	2,847	74	23,915
Aids	398	1,252	1,696	1,020	2,180	3,264	1,175	1,180	11	12,176
Road traffic. Acc.	856	815	243	369	709	1,041	174	532	7	4,746
Other Accidents	1,531	533	436	271	484	1,152	323	383	13	5,126

Source: Department of Civil Registration

Health Statistics

3.31. The number of health institutions by province for the period 2007 to 2011 is presented in Table 3.20. The number of health institutions increased by 12.6 per cent from 7,111 in 2010 to 8,006 in 2011. Provinces with the highest number of institutions were Rift Valley with 2,076, followed by Eastern with 1,413 and Central with 1,413. The increase can be attributed to the continuous efforts by the government to improve the health status of its people.

Table 3.20: Number of Health Institutions[1] by Province, 2007 – 2011

Number

Province	2007	2008	2009	2010	2011*
Nairobi	347	387	406	423	505
Central	556	1,199	1,251	1,345	1,413
Coast	717	723	770	754	852
Eastern	1,079	942	1,106	1,256	1,441
North Eastern	164	198	232	264	278
Nyanza	761	716	773	745	932
Rift Valley	1,573	1,648	1,732	1,867	2,076
Western	392	377	426	457	509
Total	5,589	6,190	6,696	7,111	8,006

Source: Health Management Information System, Ministry of Public Health and Sanitation

* Provisional

[1] Government institutions only

3.32. Details of the National Hospital Insurance Fund (NHIF) resources for the period 2006/07 to 2010/11 are presented in Table 3.21(a). Total receipts increased by 12.3 per cent from KSh 6,025.7 million in 2009/10 to KSh 6,765.8 million in 2010/11. Similarly, benefits to members increased by 18.2 per cent in 2010/11 as compared to a 10.6 per cent increase recorded in 2009/10. Total Contribution Net of Benefits increased by 5.9 per cent to KSh 3,088.3 million in 2010/11.

Table 3.21 (a): National Hospital Insurance Fund Resources, 2006/2007-2010/2011*

KSh million

Financial Year	2006/07	2007/08	2008/09	2009/10	2010/11*
Receipts	3,954.90	4,546.00	5,079.00	6,025.71	6,765.77
Benefits	1,414.90	2,054.20	2,813.00	3,110.02	3,677.43
Contributions Net of Benefits	**2,540.10**	**2,492.00**	**2,266.00**	**2,915.67**	**3,088.34**

Source: National Hospital Insurance Fund

* Provisional

3.33. As presented in Table 3.21(b), the number of registered members of the National Hospital Insurance Fund increased by 14.3 per cent from 2.8 million in 2006/07 to 3.2 million to 2010/11 members. The formal sector contributed the highest share of 78.2 per cent of the total registered membership of NHIF. Over the same period, the informal sector registered a higher membership increase of 26.9 per cent compared to 10.6 per cent in the formal sector.

Table 3.21 (b): Registered Members of the National Hospital Insurance Fund, 2006/07-2010/11

number

Financial Year	2006/07	2007/08	2008/09	2009/10	2010/11*
Formal Sector	1,620,000	1,775,390	1,800,000	2,286,205	2,529,859
Informal Sector	201,098	301,106	376,470	555,730	705,108
Total	**1,821,098**	**2,076,496**	**2,176,470**	**2,841,935**	**3,234,967**

Source: National Hospital Insurance Fund

* Provisional

3.34. Details of the number of registered medical personnel and those in training are presented in Table 3.22 for 2010 and 2011. During the year under review, the number of registered medical personnel and trainees increased by 5.7 and 8.3 per cent, to 106,086 and 9,729, respectively. All categories recorded increases in the number of those who were in training except pharmacists, who recorded a 22.2 per cent decrease. Nurses and Clinical Officers accounted for 74.0 per cent of all registered medical personnel. In 2011, the number of enrolled nurses per 100,000 population was highest at 87 while the number of dentists per 100,000 population was lowest at 2.

Table 3.22: Number of Registered Medical Personnel and those in Training, 2010-2011*

Type of Personnel	Registered Medical Personnel				In-Training	
	2010		2011*			
	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population	2010/2011	2011/2012*
Doctors	7,129	19	7,549	19	2,412	2,493
Dentists	898	2	930	2	194	218
Pharmacists+	3,097	8	3,205	8	383	298
Pharmaceutical Technologists+	2,233	6	2,409	6	298	486
BSc. Nursing	988	3	1,130	3	1,667	1,932
Nurses	29,678	77	32,941	83	2,200	2,263
Enrolled Nurses	34,282	89	34,576	87	128	222
Clinical Officers	8,708	23	9,793	25	1,184	1,277
Public Health officers+	7,429	19	7,584	19	519	540
Public Health Technicians+	5,969	16	5,969	15	-	-
Total	**100,411**	**262**	**106,086**	**267**	**8,985**	**9,729**

Source: Health Management Information System, Ministry of Public Health and Sanitation, Clinical Officers Council, Nursing Council of Kenya, Medical Practitioners & Dentists Board

* Provisional

3.35. The number of undergraduate and post-graduate medical students by course and gender from 2007/08 to 2010/11 is presented in Table 3.23. During the review period, the number of medical students increased by 10.8 per cent from 5,639 students in 2010/11 to 6,249 students in 2011/12 academic year. Female enrolment in medical courses surpassed that of their male counterparts by 171 to stand at 3,210, mainly due to faster increase in enrolment in Bachelor of Science Nursing Courses.

Table 3.23: Number of Undergraduate and Post Graduate Medical Student by Course and Gender, 2007/2008- 2010/2011

Number

Undergraduate	2007/08		2008/09		2009/10		2010/11		2011/12*	
Medical Degree	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Medicine & Surgery	1,492	908	1,186	909	1,290	930	1333	1079	1389	1104
Bsc (Nursing)	380	529	323	581	333	583	554	1059	599	1270
Dental Surgery	70	85	66	50	102	97	103	91	118	100
Environmental Health	117	98	117	90	121	105	78	128	307	233
Pharmacy	265	138	195	140	230	130	220	163	168	130
Bsc (Biochemistry)	177	99	191	161	212	161	267	181	263	170
Sub-Total	**2,501**	**1,857**	**2,078**	**1,931**	**2,288**	**2,006**	**2,555**	**2,701**	**2,844**	**3,007**
Postgraduate students	330	167	385	310	323	260	192	191	195	203
Total	**2,831**	**2,024**	**2,463**	**2,241**	**2,611**	**2,266**	**2,747**	**2,892**	**3,039**	**3,210**
Grand Total	**4,855**		**4,704**		**4,877**		**5,639**		**6,249**	

Source: University of Nairobi, Moi University, Kenya Methodist University, University of Eastern Africa, Baraton, Kenyatta University, Egerton University , Aga Khan University & Masinde Muliro University of Science & Technology

* Provisional

3.36. Total registered middle level medical trainees in public training colleges from 2007 to 2011 are shown in Table 3.24. The total number of trainees enrolled in the Kenya Medical Training College (KMTC) increased by 9.3 per cent from 6,471 in 2010 to 7,074 in 2011. Diploma courses continued to lead in absorption of enrolled trainees accounting for 77.3 per cent of the total enrolment in 2011. Majority of the Diploma trainees were enrolled for Community Health Nursing and Clinical Medicine and Surgery at 41.4 per cent and 20.8 per cent, respectively.

Table 3.24: Middle Level Medical Trainees in Public Medical Training Colleges, 2007 – 2011

Number

Level of Training	2007	2008	2009	2010	2011*
Certificate in Community Nursing	131	138	130	128	222
Certificate in Medical Engineering Technology	109	181	129	167	104
Certificate in Health Records & Information Technology	116	215	155	553	500
Certificate in Nutrition[5]	-	36	23	55	178
Sub-Total	**356**	**570**	**437**	**903**	**1,004**
Diploma in Community Health Nursing	2380	1762	2039	2200	2263
Diploma in Community Nutrition	75	53	80	47	55
Diploma in Environmental Health Sciences	349	366	400	552	485
Diploma in Medical Laboratory Sciences	348	424	407	482	440
Diploma in Clinical Medicine & Surgery	1290	1349	1260	1114	1140
Diploma in Medical Engineering Technology	80	99	81	34	62
Diploma in Community Oral Health	49	38	42	51	43
Diploma in Dental Technology	34	30	32	38	40
Diploma in Health Records and Information technology	57	39	83	97	140
Diploma in Occupational Therapy	50	138	43	60	42
Diploma in Orthopaedic Technology	38	23	37	37	40
Diploma in Pharmacy	199	509	224	298	420
Diploma in Physiotherapy	102	124	98	108	118
Diploma in Medical Imaging Sciences	41	48	36	72	135
Diploma in Optical Technology	25	64	22	22	30
Diploma in Nuerophysiology	31	22	15	19	15
Sub Total	**5,148**	**5,088**	**4,899**	**5,231**	**5,468**
Higher Diploma in Pharmacy	-	7	-	-	-
Higher Diploma in Environmental Health Sciences[1`]	91	86	62	45	21
Higher Diploma in Medical Laboratory Sciences[2]	44	61	56	54	81
Higher Diploma in Nursing[3]	70	85	61	48	166
Higher Diploma in Clinical Medicine and Surgery[4]	93	130	74	70	137
Higher Diploma in Medical Engineering	-	7	-	2	2
Higher Diploma in Ultra Sound Image Pattern Analysis	12	16	33	24	43
Higher Diploma in Community Health & HIV/AIDS CA	23	-	32	54	69
Higher Diploma in Sensory Integration	9	-	-		
Higher Diploma in Health Education & Promotion	30	22	21	24	42
Post Graduate Diploma in Medical Education	26	18	18	16	41
Post Graduate Certificate in Medical Education	30	-	22	-	-
Sub-Total	**428**	**432**	**379**	**337**	**602**
Total	**5,932**	**6,090**	**5,715**	**6,471**	**7,074**

Source: Kenya Medical Training College, Ministry of Medical Services

* Provisional

1. Includes food science and inspection, epidemiology, solid waste and occupational health

2. Includes clinical chemistry, haematology, histology, parastology, virology, microbiology, bacterialogy and blood transfusion sciences

3. Includes Psychiatry Nursing, Community Health Nursing, intensive care, ophthalmic and PeriOperative nursing (reintroduced in September 2008)

4. Includes paediatrics, orthopaedics, anesthesia, lungs & skin, ent & audiology, reproductive health and opthalmology & cataract surgery

3.37. Full Immunization Coverage (FIC) rate of children under one year by province for the years 2007 to 2011 is detailed in Table 3.25. In the period under review, FIC of children under one year increased marginally from 1,044,121 in 2010 to 1,050,307 in 2011, due to marked increases in Nairobi, Eastern, North Eastern and Rift Valley provinces. On the other hand, Central, Coast, Nyanza and Western provinces registered declines in coverage rates.

Table: 3.25: Full Immunization Coverage (FIC) Rate of Under-One Year Old Children by Province 2007 – 2011

	2007		2008		2009		2010		2011*	
Provinces	No.	%	No.	%	No.	%	No.	%	No.	%
Nairobi	82,176	78	85,866	74	78,294	83	100,813	96	101,055	99
Central	104,878	85	104,194	86	101,419	92	113,729	96	99,213	86
Coast	94,340	78	90,773	75	81,761	71	103,914	87	97,781	80
Eastern	151,324	78	126,302	64	128,887	80	135,593	83	151,459	91
N/Eastern	29,593	81	33,454	89	30,080	67	31,213	57	44,142	76
Nyanza	135,194	66	149,465	75	158,206	79	161,212	79	158,570	76
R/Valley	251,319	70	228,243	64	240,943	71	254,228	70	261,478	71
Western	129,593	68	129,308	66	132,622	85	143,419	90	136,609	84
National Coverage	**978,417**	**73**	**947,605**	**71**	**952,212**	**78**	**1,044,121**	**81**	**1,050,307**	**80**

Source: Division of Vaccine & Immunization, Ministry of Public Health and Sanitation

* Provision

3.38**.** The incidences of disease causing morbidity for the period 2007 to 2011 are presented in Table 3.26. Malaria and diseases of the respiratory system continued to be the leading diseases, accounting for 52.7 per cent of the total disease causing morbidity. Overall, cases of morbidity increased marginally to 38,332,477 in 2011.

Table 3.26: Incidence of Diseases Causing Morbidity in Kenya, 2007 – 2011

	2007		2008		2009		2010		2011*	
DISEASE	Number	%	Number	%	Number	%	Number	%	Number	%
Malaria	9,610,691	30.8	9,312,357	32.8	9,833,701	31	11,371,889	29.7	11,150,223	26.4
Disease of the Respiratory System	7,626,100	24.5	6,840,004	24.1	8,017,565	25	9,760,371	25.5	11,098,928	26.3
Diseases of the Skin (Incl. Ulcers)	1,912,419	6.1	1,989,432	7	2,109,416	7	2,718,570	7.1	2,882,050	6.8
Diarrhoea Diseases	1,453,529	4.7	1,397,659	4.9	1,639,945	5	1,818,078	4.8	2,024,812	4.8
Intestinal Worms	1,349,306	4.3	331,627	1.2	387,066	1	419,298	1.1	374,886	0.9
Pneumonia	1,060,789	3	989,095	3.5	1,018,151	3	1,081,317	2.8	1,100,997	2.6
Accidents (incl. fractures, burns etc)	737,110	2.4	568,457	2	582,881	2	708,721	1.9	780,908	1.9
Rheumatism, Joint pains etc	578,408	1.9	488,908	1.7	558,539	2	659,192	1.7	750,888	1.8
Urinary Tract Infections	551,820	1.8	652,224	2.3	507,910	2	638,758	1.7	778,433	1.8
Eye Infection	507,145	1.6	492,225	1.7	550,395	2	643,986	1.7	689,004	1.6
All Other Diseases	5,781,561	18.5	5,337,642	18.8	6,755,308	21	8,441,917	22.1	6,701,348	15.9
TOTAL	**31,168,878**	**100**	**28,399,630**	**100**	**31,960,877**	**100**	**38,262,097**	**100**	**38,332,477**	**100**

Source: Ministry of Medical Services

* Provisional

Other Social Services

3.39. **National Youth Service (NYS):** Table 3.27 shows the number of service men and women recruited and the amount earned from 2007 to 2011. The number of service men reduced by 11.3 per cent while that of service women rose by 41.2 per cent in 2011, vis-a-vis 2009. Income earned increased by 19.43 per cent from KSh 18.2 million in 2009 to

KSh 21.7 million in 2011. It should be noted that in 2010 there was no recruitment of NYS personnel.

Table 3.27: National Youth Services Recruitment and Allowances, 2007-2011

Year	Recruitment (Numbers)			Income Earned
	Service Men	Service Women	Total	KSh. Million
2007	2,917.0	875.0	3,792.0	53.97
2008	5,477.0	1,901.0	7,378.0	42.41
2009	4,125.0	1,067.0	5,192.0	18.17
2010[1]	-	-	-	-
2011*	3,660.0	1,507.0	5,167.0	21.70

Source: National Youth Service

*Provisional

[1]There was no recruitment in 2010 hence the blanks

3.40. **National Social Security Fund (NSSF):** Details of the registered employers, employees and annual contributions and benefits paid are shown in Table 3.28. The number of registered employers increased by 16.0 per cent, while the number of total registered employees increased by 7.7 per cent in 2011. Annual contribution and benefits paid increased by 12.2 per cent and 15.0 per cent, respectively, during the review period.

Table 3.28: National Social Security Fund, 2007- 2011

Details	2007	2008	2009	2010	2011*
Registered Employers '000	58.8	61.4	72.6	72.6	84.2
Registered Employees '000					
Male	2,378.85	2,376.75	2,546.55	2,553.53	2,719.99
Female	792.95	792.25	848.85	848.56	945.19
Total	3,171.80	3,169.00	3,395.40	3,402.01	3,665.18
Annual contribution KSh (million)	5,358.39	5,368.57	5,340.97	5,341.71	5,990.56
Annual benefits paid KSh (million)	2,566.77	2,575.57	2,773.37	2,773.35	2,357.07

Source: National Social Secrurity Fund

* Provisional

3.41. **Adult Education:** Details of enrolment in adult education by sex and province are shown in Table 3.29. Adult education enrolment increased by 10.1 per cent from 252, 553 in 2010 to 278,090 in 2011. This was occasioned by increases recorded in Nairobi, Central, Coast and Rift Valley provinces. Rift Valley province recorded the highest increment of 85.6 per cent. In contrast, Eastern, Nyanza and North Eastern provinces recorded declines in enrolment. More females than males enrolled for adult classes in all the provinces except North Eastern, where males were more than females.

Table 3.29: Adult Education Enrolment by Province and Gender 2007 – 2011

	2007			2008			2009			2010			2011*		
Province	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Nairobi	2,627	2,165	4,792	3,466	3,394	6,860	2,746	4,170	6,916	4850	5260	10,110	5,476	5,619	11,095
Central	2,921	6,816	9,737	4,081	10,016	14,097	4,018	14,387	18,405	4068	12201	16,269	4,570	12,986	17,556
Coast	4,505	10,510	15,015	5,723	13,800	19,523	7,227	18,738	25,965	6634	19416	26,050	6,340	22,229	28,569
Eastern	7,865	18,251	26,216	13,134	28,037	41,171	19,358	46,879	66,237	15122	53348	68,470	14,285	52,541	66,826
North Eastern	1,976	4,409	6,385	6,333	5,093	11,426	7,159	5,793	12,952	6703	6147	12,850	6,857	5,896	12,753
Nyanza	5,325	12,425	17,750	11,807	19,806	31,613	11,298	21,062	32,360	22060	34511	56,571	14,510	33,858	48,368
Rift Valley	10,025	23,384	33,409	11,969	23,518	35,487	15,985	39,612	55,597	13798	23204	37,002	28,432	40,241	68,673
Western	4,026	934	4,960	7,233	12,188	19,421	4,922	25,840	30,762	7162	23204	25,231	6,978	17,272	24,250
Grand Total	**39,270**	**78,994**	**118,264**	**63,746**	**115,852**	**179,598**	**72,713**	**176,481**	**249,194**	**80397**	23204	**252,553**	**87,448**	**190,642**	**278,090**

Source: Ministry of Education: Department of Adult Education

* Provisional

3.42. Details on registration of private candidates for KCPE by Province and Sex for the period 2007 to 2011 are shown in Table 3.30. The number of private candidates registered increased from 3,347 in 2010 to 18,625 in 2011. The tremendous increase may be due to the vigorous adult education campaigns undertaken by the Department of Adult Education. All provinces recorded increases in the number of registered private candidates in 2011 compared to 2010. More male private candidates continued to be registered compared to female candidates in 2011 except in Nairobi province.

Table 3.30 Private Candidates KCPE Registration by Province and Sex, 2007-2011

	2007			2008			2009			2010			2011*		
Province	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Nairobi	4,420	2,080	6,500	3,171	2,997	6,168	483	239	722	424	234	658	5,613	5,672	11,285
Central	1,233	580	1,813	149	388	537	365	211	576	220	95	315	485	398	883
Coast	182	86	268	337	220	557	151	134	285	95	64	159	227	120	347
Eastern	418	197	615	90	289	379	232	137	369	254	141	395	301	201	502
North Eastern	1,333	628	1,961	2,166	300	2,466	257	45	302	91	21	112	1,921	664	2,585
Nyanza	310	146	456	77	82	159	463	286	749	416	289	705	390	320	710
Rift Valley	2,062	970	3,032	1,266	735	2,001	902	858	1,760	436	313	749	1,287	610	1,897
Western	188	89	277	162	105	267	130	90	220	145	109	254	223	193	416
Grand Total	**10,146**	**4,776**	**14,922**	**7,418**	**5,116**	**12,534**	**2983**	**2000**	4,983	**2081**	**1266**	3,347	**10,447**	**8,178**	**18,625**

Source: Ministry of Education: Department of Adult Education

* Provisional

3.43. **Gender and Development:** The government has continued to support and encourage women group initiatives which have enabled women have adequate space to form and join women's organizations. This effort has made it possible for women to address challenges like poverty which affects majority of them. Due to a conducive environment, the number of women groups has been increasing with time. The number of registered women groups, membership, contributions, Grants by the Government and Women Enterprise Fund are presented in Table.3.31. The number of registered women groups increased by 1,009 to 143,792 in 2011. Membership increased from 5,579,639 in 2010 to 5,618,064 in 2011. Contributions increased from KSh 551.2 million in 2010 to KSh 553.8 million in 2011. Government grants to women groups were the same as the previous year, while government grants to women enterprises reduced from KSh 0.5 billion in 20101 to KSh 0.4 billion in 2011.

Table 3.31: Registered Women Groups by Membership, Contributions, GoK Grants and Women enterprise fund, 2007 to 2011.

Year	No. of Women Groups	Membership	Group contributions (Ksh. Million)	Grants by GOK	
				Women Group (Ksh.Million)	Women Enterprise (Ksh. Billion)
2007	138,753	5,417,850	544.6	40.1	1
2008	140,482	5,484,275	547.3	80	0.3
2009	141,560	5,516,396	548.4	100	0.5
2010	142,783	5,579,639	551.2	80	0.5
2011*	143,792	5,618,064	553.8	80	0.4

Source: Department of Gender and Social Development

* Provisional

3.44. **Social Protection Fund:** In order to improve the education and health status of the poor, the Social Protection Fund (SPF) was introduced by the government to enhance productivity, competencies and skills that allow the poor to participate in the labour market. Details on government allocation and cash disbursement for SPF of the elderly are shown in Table 3.32. The government targets persons aged over 60 for the fund. During the year under review, the government almost doubled the SPF allocation for older persons to KSh 1.0 billion. Direct cash disbursement increased almost threefold to KSh 949.5 million in the 2011/12 financial year.

3.45. **Cash Transfer for Orphans and Vulnerable Children (OVC):** Table 3.32 indicates that, allocation for the OVC increased by 24.1 per cent from 827.7 million in 2010/2011 to 1,026.9 in 2011/2012. The direct cash disbursement also increased by 16.9 per cent from KSh 766.9 million in 2010/11 to KSh 896.9 million in 2011/12. The rise in these two components was attributed to increased capital transfers from KSh 1,500 to KSh 2,000 per household every month and the increased number of households from 44.0 thousand to 45.0 thousand households in the same period.

Table 3.32 Government Allocation and Receipt

Financial Year	Social Protection Fund for Older Persons		Social Protection Fund for OVC	
	Allocation (Million)	Direct cash Disbursement (Million)	Allocation (Million)	Direct cash Disbursement (Million)
2007/08	2.00	1.20	169.70	150.00
2008/09	4.00	3.60	579.00	546.00
2009/10	550.00	346.00	815.00	772.80
2010/11	530.00	394.00	827.70	766.90
2011/12*	1,000.00	949.50	1,026.90	896.90

Source: Department Of Gender and Social Development

* Provisional

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3.46. **Women in Decision-Making:** Details on women participation in decision making positions in government for the period 2006 and 2007 are shown inn Table 3.33. The number of women in the Cabinet and permanent secretaries increased from 2 to 6 and 5 to 7, respectively. during the period 2006 and 2011 In the National Assembly, the number of women went up by 22.2 per cent from 18 in 2006 to 22 in 2011.

Table 3.33 Women in Decision Making Positions, 2006 and 2011

	2006				2011			
RANK	Women	Men	Total	(%) Women	Women	Men	Total	(%) Women
Ministers	2	32	34	5.8	6	36	42	14.3
Assistant Ministers	6	40	46	13	6	46	52	11.5
National Assembly	18	204	222	8.1	22	200	222	9.9
Diplomatic Corps	11	29	40	27.5	16	37	53	30.2
Permanent Secretary	5	25	30	16.7	7	37	44	15.9
Provincial Commissioners	0	8	8	0	1	7	8	12.5
District Commissioners	12	222	234	5.1	28	262	290	9.7
Deputy Secretary	21	77	98	21.4	42	107	149	28.2
Supreme Court	0	0	0	0	2	5	7	28.7
Court of Appeal Judges	1	8	9	11.1	0	10	10	0
High Court Judges	11	38	49	22.4	31	39	70	44.3
Magistrates	59	206	265	22.3	138	200	338	40.8
Chiefs	41	2424	2465	1.7	96	2483	2579	3.7
Assistant Chief	225	5394	5619	4	458	5438	5896	7.8
Councillors	377	2460	2,837	13.3	393	2093	2,486	15.8
Lawyers	1,708	3277	4,985	34.3	1,859	3497	5,356	34.7

Source: - Department of Gender; Judiciary, Office of the President; Electoral Commission of Kenya and Directorate of Personnel Management (DPM)

Chapter 4

Employment, Earnings and Consumer Prices

Overview

Employment is central to inclusive growth and wealth creation. Indeed, Kenya has clearly identified employment creation as a key policy objective as envisaged in Vision 2030. The Government has designed and implemented a number of programs to promote employment creation such as public works, micro-credit and support to micro, small and medium enterprises. This chapter presents the analysis of the labour market indicators excluding those that pertain to the small scale agriculture and pastoralist activities from 2007 to 2011.

4.2. During the period under review, the economy continued to create new employment opportunities both in the modern and informal sectors. A total of 520.1 thousand new jobs were created in 2011, representing an increase of 4.7 per cent over the 2010 levels. Majority of these jobs were in the informal sector. The overall annual inflation rate increased from 4.1 per cent in 2010 to 14.0 per cent in 2011. This was mainly attributed to a sharp rise in oil and food prices. The rise in oil prices was as a result of supply disruption following political unrest in some of the oil producing countries. Food prices rose due to weather-related supply constraints and an increase in global commodity prices. Overall, annual average earnings increased by 5.3 per cent in 2011. However, in real terms, the average earnings declined by 8.1 per cent.

Employment

4.3. Employment in the modern and informal sector excluding small scale farming and pastoralist activities went up by 4.7 per cent from 10,955.1 thousand in 2010 to 11,475.2 thousand in 2011. This was an improvement in the overall jobs created over and above the replacement of those persons who leave employment. The modern sector created 74.2 thousand new jobs in the year under review. Most of these jobs were generated in the building and construction, energy, tourism, transport and financial services sectors. Table 4.1 shows that the number of wage employees in the modern sector went up by 3.3 per cent in 2011 compared to a growth of 2.9 per cent in 2010. The total number of self employed and unpaid family workers within the modern sector stood at 75.4 thousand. This was an increase of 8.0 per cent compared to the growth of 3.4 per cent registered in 2010. The informal sector created 445.9 thousand new jobs, which constituted 85.7 per cent of all the new jobs. The modern sector registered a higher growth in 2011 relative to 2010 while the informal sector registered a slight decline in growth.

Table 4.1: Total Recorded Employment[1], 2007 - 2011

'000

	2007	2008	2009	2010	2011*
Modern Establishments - Urban and Rural Areas:					
Wage Employees	1,909.8	1,943.9	2,000.1	2,059.1	2,127.7
Self-employed and unpaid family workers	67.5	67.4	67.5	69.8	75.4
Informal Sector[2]	7,501.6	7,942.5	8,388.9	8,826.2	9,272.1
TOTAL	**9,478.9**	**9,953.8**	**10,456.5**	**10,955.1**	**11,475.2**

* Provisional

[1] Refers to employment stock as at 30th June excluding small scale farming and pastrolist activities.

[2] Estimated

Modern Sector

4.4. Analysis of wage employment in the modern sector by public and private sector is presented in Table 4.2. Wage employment in the modern sector of the economy registered an increase of 68.6 thousand jobs in 2011 compared to 59.0 thousand in 2010. This was an increase of 3.3 per cent up from 2.9 per cent registered in 2010. Both the private and public sectors contributed to the improvement in employment levels.

Table 4.2: Wage Employment by Industry and Sector, 2007 - 2011

'000

	2007	2008	2009	2010	2011*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	289.0	289.7	288.0	291.8	293.0	0.4
Mining and Quarrying	5.6	5.9	5.8	7.9	8.1	2.5
Manufacturing	237.9	237.2	238.6	242.4	247.6	2.1
Electricity and Water	2.2	2.3	2.2	2.2	2.3	4.5
Building and Construction	61.2	64.9	73.5	82.0	89.8	9.5
Wholesale and Retail Trade, Restaurants and Hotels	189.8	196.4	209.2	220.6	232.3	5.3
Transport and Communications	117.8	120.5	124.7	132.2	138.0	4.4
Finance, Insurance, Real Estate and Business Services	79.0	81.9	84.3	88.4	94.0	6.3
Community, Social and Personal Services	299.2	307.1	320.1	332.0	341.5	2.9
TOTAL PRIVATE SECTOR	**1,281.7**	**1,305.9**	**1,346.5**	**1,399.6**	**1,446.6**	**3.4**
PUBLIC SECTOR:						
Agriculture and Forestry	50.9	51.0	52.3	52.0	52.9	1.7
Mining and Quarrying	0.7	0.7	0.7	0.7	0.7	0.0
Manufacturing	26.9	26.9	27.8	27.9	28.1	0.7
Electricity and Water	16.8	17.0	17.4	18.1	18.4	1.7
Building and Construction	20.1	19.9	19.9	19.2	19.2	0.0
Wholesale and Retail Trade, Restaurants and Hotels	6.0	6.0	6.3	6.2	6.4	3.2
Transport and Communications	36.1	36.9	18.7	19.2	19.4	1.0
Finance, Insurance, Real Estate and Business Services	14.3	12.6	12.9	12.6	13.3	5.6
Community, Social and Personal Services	456.3	467.0	497.6	503.6	522.8	3.8
TOTAL PUBLIC SECTOR	**628.1**	**638.0**	**653.5**	**659.5**	**681.1**	**3.3**
TOTAL PUBLIC AND PRIVATE SECTOR	**1,909.8**	**1,943.9**	**2,000.1**	**2,059.1**	**2,127.7**	**3.3**

* Provisional.

4.5. **Private Sector:** The share of private sector employment in the modern sector wage employment was about 68.0 per cent in 2011, same level as in 2010. In 2011, the private sector recorded a suppressed growth of 3.4 per cent in the employment levels compared to 3.9 per cent registered in 2010. Overall, the private sector created 47.0 thousand new wage employment opportunities compared to the increase of 53.1 thousand recorded in 2010.

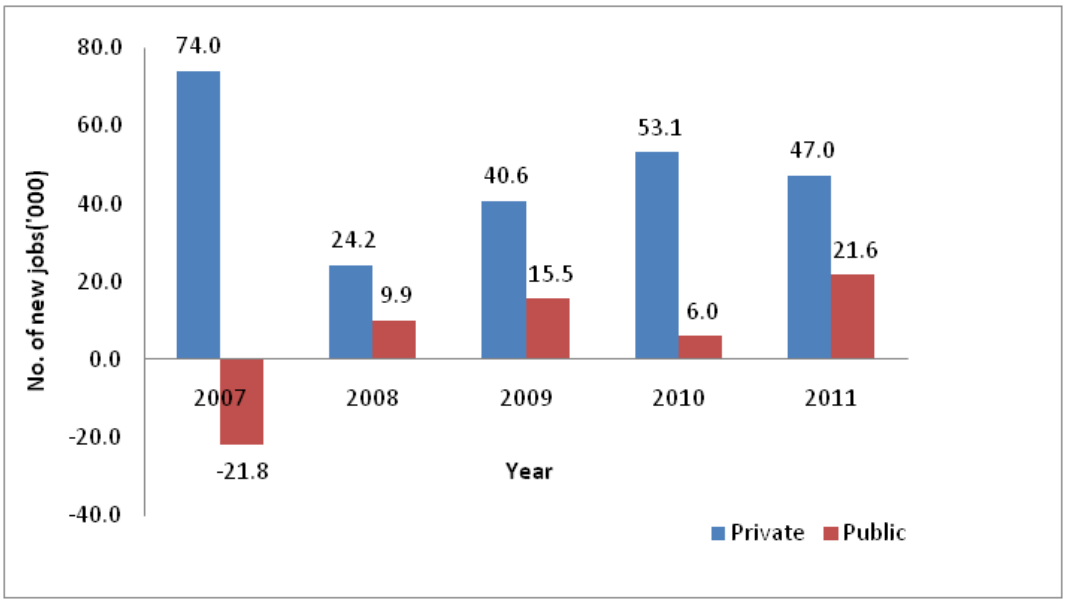
4.6. The building and construction industry registered the highest growth in employment in the private sector, an increase of 9.5 per cent in 2011. This was however, a depressed growth compared to 11.5 per cent recorded in 2010. The finance, insurance, real estate and business industry recorded a 6.3 per cent growth in 2011, mainly due to increased employment in the banking sub-sector as a result of financial inclusion and widening of branch networks, registering a 16.1 per cent growth. Wage employment in wholesale and retail trade, restaurants and hotels, electricity and water and transport and communications, went up by 5.3, 4.5 and 4.4 per cent in 2011, respectively. Transport and communications industry, registered growth

in the freight and air transport, and the communications sub-sectors. Agriculture and forestry industry registered minimal employment growth, though the sub-sectors of coffee, sugar, cereals, and in-land fishing recorded declines.

4.7. **Public Sector:** Analysis of public sector employment shows that there was an increase of 3.3 per cent compared to a growth of 0.9 per cent registered in 2010. This is a continued trend of growth in the employment of public servants that began in 2008 partly due to the increased number of ministries and hiring of civil servants in essential services.

4.8. Figure 4.1 presents the trend in the number of new jobs created in the modern sector for the period 2007 to 2011. The number of new jobs has been on the rise since 2008. A total of 68.6 thousand new jobs were created in 2011. The private sector created 47.0 thousand new jobs in the modern sector compared to 53.1 thousand recorded in 2010. There was improvement in the public sector job creation, which registered 21.6 thousand new jobs in 2011 compared to 6.0 thousand in 2010.

Figure 4.1: Trend in new Jobs in the modern sector, 2007-2011



4.9. Data on wage employment in the public sector by type of employer as set out in Table 4.3, indicates an overall increase in employment in the public sector. The Teachers Service Commission (TSC) employment level registered the highest rise of 6.4 per cent in the review period to stand at 258.7 thousand. Employment in the Central Government also went up by 7.9 thousand as a result of recruitment of police officers and other civil servants that was necessary to cover for the increased demands. Employment in parastatal bodies went up marginally by 1.5 per cent. Local authorities on the other hand, recorded a decline of 4.9 per cent in their employment levels.

Table 4.3 Wage Employment in the Public Sector, 2007 – 2011

'000

	2007	2008	2009	2010	2011*	Annual % Change 2011/10
Central Government[1]	192.3	196.8	200.6	212.0	219.9	3.7
Teachers Service Commission ..	234.6	236.8	245.4	243.0	258.7	6.4
Parastatal Bodies[2]	80.6	82.4	84.4	84.8	86.0	1.5
Majority Control by the Public Sector[3]	38.8	39.7	40.6	40.8	41.4	1.5
Local Government	81.9	82.3	82.6	78.9	75.1	-4.9
TOTAL	**628.1**	**638.0**	**653.5**	**659.5**	**681.1**	**3.3**

* Provisional.

[1] Covers all civil servants on Government payroll plus casual workers in various ministries.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shares but does not wholly own them.

4.10. Distribution of wage employment in the modern sector by province is presented in Table 4.4. All provinces recorded growth in employment with Nairobi registering the highest increase of 17.5 thousand jobs in 2011. Rift Valley province followed closely with an increase of 16.3 thousand persons while Central province had its wage employment growing from 294.0 thousand persons in 2010 to 304.6 thousand persons in 2011.

Table 4.4: Wage Employment by Province[1], 2007 - 2011

'000

Province	2007	2008	2009	2010	2011*	% Change 2011/10
Nairobi	479.3	488.4	503.4	521.1	538.6	3.4
Coast	237.0	241.1	248.1	255.4	262.9	2.9
North Eastern	17.6	17.8	18.3	18.4	18.6	1.1
Eastern	159.3	161.9	166.6	171.4	177.2	3.4
Central	271.9	276.6	284.8	294.0	304.6	3.6
Rift Valley	429.1	437.1	449.7	460.0	476.3	3.5
Nyanza	189.2	192.5	198.1	203.8	210.7	3.4
Western	126.4	128.5	132.1	135.0	139.0	3.0
TOTAL	**1,909.8**	**1,943.9**	**2,001.1**	**2,059.1**	**2,127.9**	**3.3**

* Provisional

[1] Estimated

4.11. Table 4.5 presents wage employment by urban centres and selected industries for 2006 and 2011. Approximately 246.6 thousand jobs were generated in the urban centres giving an overall increase of 23.7 per cent. Although Nairobi had the highest wage employment among other towns, its share in urban wage employment declined from 42.9 per cent in 2006 to 40.8 per cent in 2011. On the other hand, Mombasa had its share in urban employment increase from 17.2 per cent in 2006 to 18.9 per cent in 2011. The activities of community and social services; wholesale and retail trade, restaurants and hotels; and transport and communications registered high increases of 69.6, 55.5 and 45.3 thousand jobs, respectively over the same period.

Table 4.5: Wage Employment in Urban[1] Centres by Selected Industries, 2006 and 2011

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Towns	Manufacturing		Construction		Wholesale and Retail Trade, Restaurants and Hotels		Transport and Communications		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Industries	
	2006	**2011***	**2006**	**2011***	**2006**	**2011***	**2006**	**2011***	**2006**	**2011***	**2006**	**2011***	**2006**	**2011***
Nairobi	86.0	90.7	41.7	57.4	66.9	83.6	35.9	42.7	43.0	50.7	173.9	200.5	447.4	525.6
Mombasa	35.9	41.7	6.9	12.0	25.4	34.5	43.3	71.1	13.7	16.0	53.8	68.5	179.0	243.8
Kisumu	8.3	9.6	2.5	4.4	5.1	6.8	2.6	4.4	2.6	3.1	23.6	26.3	44.7	54.6
Nakuru	10.0	11.6	2.7	4.7	6.7	9.1	2.2	3.8	2.7	3.2	14.6	17.3	38.9	49.7
Thika	18.8	21.9	0.6	1.0	3.7	5.0	0.6	0.9	1.8	2.1	6.5	9.3	32.0	40.2
Eldoret	19.0	22.1	2.0	3.5	4.8	6.5	1.3	2.0	3.0	3.5	5.7	8.6	35.8	46.2
Malindi	0.5	0.6	0.3	0.4	3.4	4.6	0.4	0.6	0.4	0.4	3.2	3.8	8.2	10.4
Kericho	4.4	5.1	1.0	1.6	1.6	2.2	0.2	0.3	0.5	0.5	6.0	6.9	13.7	16.6
Others	54.4	63.3	5.5	9.4	58.5	79.3	9.5	15.5	24.3	28.2	89.9	105.6	242.1	301.3
TOTAL	**237.3**	**266.6**	**63.2**	**94.4**	**176.1**	**231.6**	**96.0**	**141.3**	**92.0**	**107.7**	**377.2**	**446.8**	**1,041.8**	**1,288.4**

* Provisional.

[1] Selected

4.12. Table 4.6 presents the distribution of wage employees by industry and sex. The number of females in wage employment went up from 591.0 thousand in 2010 to 649.1 thousand in 2011, with a share of 30.5 per cent. The number of females in regular wage employment increased from 391.1 thousand to 480.6 thousand, a growth of 22.9 per cent. The number of males in wage employment increased from 1,468.1 thousand in 2010 to stand at 1,478.6 thousand in 2011. Females employed in building and construction almost doubled and those in finance, insurance, real estate and business services increased by 22.0 per cent. The number of females engaged in domestic services went down by 9.5 per cent in year under review. Overall, there was a decline in the level of casual employment for both males and females, an indication of increase in formalisation of the jobs for majority of the workers.

Table 4.6: Wage Employment by Industry and Sex, 2010 and 2011

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	Male		Female		Total	
INDUSTRY	**2010**	**2011***	**2010**	**2011***	**2010**	**2011***
Agriculture and Forestry ..	263.9	265.8	79.9	80.1	343.8	345.9
Mining and Quarrying ..	5.1	5.2	3.5	3.6	8.6	8.8
Manufacturing	229.2	230.8	41.1	44.9	270.3	275.7
Electricity and Water ..	16.9	17.1	3.4	3.6	20.3	20.7
Building and Construction	92.5	93.2	8.7	15.8	101.2	109.0
Trade, Restaurants and Hotels	166.3	167.4	60.5	71.2	226.8	238.6
Transport and Communications	119.6	120.5	31.8	36.9	151.4	157.4
Finance, Insurance, Real Estate and Business Services ..	74.6	75.1	26.4	32.2	101.0	107.3
Community, Social and Personal Services-						
Public Administration	112.2	113.0	66.2	70.0	178.4	183.0
Education Services	219.6	221.1	163.1	178.9	382.7	400.0
Domestic Services	64.1	64.5	42.1	41.7	106.2	106.2
Other Services	104.1	104.9	64.3	70.2	168.4	175.1
**TOTAL .. .. ..

Table 4.7: Total Wage Payments by Industry and Sector, 2007 - 2011

KSh Million Per Annum

	2007	2008	2009	2010	2011*
PRIVATE SECTOR:					
Agriculture and Forestry	43,416.6	44,639.1	47,297.2	49,008.8	51,387.6
Mining and Quarrying	1,378.1	1,136.3	1,286.0	1,747.9	1,887.1
Manufacturing	53,050.3	56,167.8	59,355.1	60,907.6	65,104.1
Electricity and Water	1,685.4	1,363.0	1,043.7	987.6	1,075.7
Building and Construction	21,677.0	25,059.9	29,241.6	33,140.1	36,837.5
Wholesale and Retail Trade, Restaurants and Hotels	91,098.0	83,779.2	86,304.9	90,264.2	97,832.8
Transport and Communications ..	70,702.0	79,711.6	87,998.1	93,787.1	100,171.9
Finance, Insurance Real Estate and Business Services	55,178.3	61,146.9	69,400.0	74,980.7	83,064.8
Community, Social and Personal Services ..	115,461.6	128,941.2	135,895.9	142,216.8	149,907.4
TOTAL PRIVATE SECTOR	**453,647.3**	**481,945.0**	**517,822.6**	**547,040.8**	**587,268.9**
PUBLIC SECTOR:					
Agriculture and Forestry	9,444.8	10,573.6	11,419.3	11,913.6	13,078.1
Mining and Quarrying	145.5	143.1	130.9	138.1	155.3
Manufacturing	5,468.3	6,379.4	13,413.3	14,121.9	15,154.1
Electricity and Water	8,951.7	9,792.6	10,686.3	11,813.1	12,875.2
Building and Construction	5,882.5	6,396.8	6,833.9	7,025.9	7,602.9
Wholesale and Retail Trade, Restaurants and Hotels	3,366.6	3,385.7	4,085.0	4,601.4	5,441.3
Transport and Communications ..	18,319.6	22,780.1	13,673.1	14,855.4	16,609.3
Finance, Insurance Real Estate and Business Services	12,529.4	10,674.8	11,639.4	11,744.3	13,225.7
Community, Social and Personal Services	139,021.7	155,300.2	171,951.6	184,645.7	207,356.1
TOTAL PUBLIC SECTOR	**203,130.1**	**225,426.3**	**243,832.8**	**260,859.4**	**291,498.0**
TOTAL PUBLIC AND PRIVATE ..	**656,777.4**	**707,371.3**	**761,655.4**	**807,900.2**	**878,766.9**

* Provisional

4.14. A summary of wage payments in the public sector by type of employer is presented in Table 4.8. Overall, all the employers in the public sector registered an increase in their wage bill in 2011. The Central Government registered the highest increase of 13.9 per cent in wage bill to KSh 73,171.9 million in 2011, compared to 10.9 per cent registered in 2010. This was attributed to the recruitment of personnel in the various Ministries and police officers during the year. Teachers Service Commission (TSC) wage bill went up by 16.0 per cent, from KSh 87,844.9 million to KSh 101,859.7 million, as a result of absorption of teachers on contract and salary increments in the year under review.

Table 4.8: Total Wage Payments in the Public Sector[1], 2007 - 2011

KSh Million

	2007	2008	2009	2010	2011*
Central Government	46,370.3	50,741.6	57,891.3	64,220.7	73,171.9
Teachers Service Commission ..	68,180.2	77,191.6	79,699.6	87,844.9	101,859.7
Parastatal Bodies[2]...	43,011.8	46,949.1	51,575.4	52,522.3	55,975.6
Majority Control by the Public Sector[3].. ..	27,330.5	29,860.4	32,802.7	33,405.0	35,601.4
Local Government	18,237.3	20,683.6	21,863.8	22,866.5	24,889.4
TOTAL	**203,130.1**	**225,426.3**	**243,832.8**	**260,859.4**	**291,498.0**

* Provisional.

[1] Refers to position as at 30th June annualised.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.15. Table 4.9 presents the annual average wage earnings per employee for the period 2007 to 2011. Overall, there was an increase of 5.3 per cent in the annual average earnings, from KSh 392,355.7 in 2010 to KSh 413,009.7 in 2011. Annual average earnings in the public sector increased from KSh 394,913.3 in 2010 to KSh 427,990.9 in 2011, an increase of 8.4 per cent. Average earnings per person were still higher in the public sector than in the private sector, whose average earnings went up by 3.9 per cent to stand at KSh 405,956.7 in 2011.

Table 4.9: Average Wage Earnings per Employee[1], 2007 - 2011

KSh Per Annum

	2007	2008	2009	2010	2011*
PRIVATE SECTOR:					
Agriculture and Forestry	150,236.8	154,062.2	164,211.1	167,953	175,405
Mining and Quarrying	246,747.6	193,484.0	222,420.8	221,866	232,900
Manufacturing	222,961.3	236,797.9	248,763.0	251,242	262,893
Electricity and Water	779,906.3	602,847.2	464,903.6	457,017	472,406
Building and Construction	353,997.4	385,875.2	397,600.8	403,946	410,130
Trade, Restaurants and Hotels	479,943.0	426,661.3	412,620.4	409,155	421,109
Transport and Communications	600,288.4	661,765.2	705,513.5	709,305	725,748
Finance, Insurance, Real Estate and Business Services	698,707.6	746,896.5	823,289.7	848,063	883,724
Community, Social & Personal Services	385,871.5	419,813.7	424,482.5	428,305	438,994
TOTAL PRIVATE SECTOR	**353,944.9**	**369,068.7**	**384,559.9**	**390,854.6**	**405,956.7**
PUBLIC SECTOR:					
Agriculture and Forestry	185,515.2	207,462.7	216,290.0	229,172.9	247,161.6
Mining and Quarrying	207,817.5	217,883.0	190,840.0	200,408.0	219,924.0
Manufacturing	444,649.6	472,831.5	482,000.7	505,308.6	538,868.7
Electricity and Water	532,720.9	575,132.2	614,767.2	653,813.7	700,804.3
Building and Construction	292,595.2	322,230.1	343,376.0	365,534.0	396,974.0
Trade, Restaurants and Hotels	560,976.3	562,326.0	651,849.4	739,296.8	851,803.7
Transport and Communications	507,358.2	617,092.9	729,861.8	775,332.7	857,608.7
Finance, Insurance, Real Estate and Business Services	875,996.3	845,409.9	905,437.9	934,834.8	996,061.6
Community, Social & Personal Services	304,605.3	332,485.8	345,584.8	366,620.5	396,635.7
TOTAL PUBLIC SECTOR	**323,408.6**	**353,321.7**	**373,098.5**	**394,913.3**	**427,990.9**
TOTAL PRIVATE AND PUBLIC SECTOR	**343,934.7**	**363,900.1**	**380,803.3**	**392,355.7**	**413,009.7**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	241,197.7	257,833.5	288,590.6	302,927.7	332,750.9
Teachers Service Commission	290,623.1	325,977.9	324,814.2	361,457.1	393,736.7
Parastatal Bodies[2]	533,789.4	569,553.3	611,130.7	619,686.5	650,670.8
Majority Control by the Public Sector [3]	704,963.0	752,900.5	807,862.2	819,172.3	860,130.9
Local Government	222,694.0	251,234.0	264,800.6	289,691.9	331,565.2
TOTAL PUBLIC SECTOR	**323,408.6**	**353,321.7**	**373,098.5**	**394,913.3**	**427,990.9**

* Provisional.

[1] Refers to position as at 30th June annualised.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.16. Percentage changes in wage employment and average earnings for 2011/2006 and 2011/2010, are presented in Table 4.10. Over the five-year period, total employment went up by 14.5 per cent; with wage employment in the private sector rising by 19.8 per cent and public sector increasing by 4.8 per cent. Employment in the Central Government and TSC went up by 17.2 per cent and 10.9 per cent, respectively. However, there was a decline in employment in the other public sector employers.

4.17. Annual average earnings in the country went up by 30.5 per cent over the five-year period. Average earnings in the public sector registered an increase of 45.1 per cent, while earnings in the private sector went up by 23.9 per cent, over the same period. Over the five year period, average earnings of employees in the Local Government almost doubled. There was mixed performance in the private sector where employees in electricity and water and trade, restaurants and hotels recorded a decline in average earnings. The average earnings for employees in other activities in the private sector increased.

Table 4.10: Percentage Change in Wage Employment and Average Earnings[1], 2011/2006 and 2011/2010

	EMPLOYMENT		AVERAGE EARNINGS	
	2011/2006*	**2011/2010***	**2011/2006***	**2011/2010***
PRIVATE SECTOR:				
Agriculture and Forestry	4.5	0.4	25.5	4.4
Mining and Quarrying	52.8	2.5	0.1	5.0
Manufacturing	8.4	2.1	23.8	4.6
Electricity and Water	21.1	4.5	-22.2	3.4
Building and Construction	55.1	9.5	25.6	1.5
Trade, Restaurants and Hotels	29.3	5.3	-6.8	2.9
Transport and Communications	51.8	4.4	24.0	2.3
Finance, Insurance ,Real Estate and Business Services	24.5	6.3	33.6	4.2
Community, Social & Personal Services	18.7	2.9	23.2	2.5
TOTAL PRIVATE SECTOR	19.8	3.4	23.9	3.9
PUBLIC SECTOR:				
Agriculture and Forestry	-2.6	1.7	44.1	7.8
Mining and Quarrying	0.0	0.0	12.0	9.7
Manufacturing	-8.8	0.7	34.8	6.6
Electricity and Water	4.0	1.7	44.9	7.2
Building and Construction	-12.7	0.0	50.4	8.6
Trade, Restaurants and Hotels	1.6	3.2	77.2	15.2
Transport and Communications	-51.7	1.0	105.6	10.6
Finance, Insurance ,Real Estate and Business Services	-20.8	5.6	18.3	6.5
Community, Social and Personal Services	13.4	3.8	42.7	8.2
TOTAL PUBLIC SECTOR	**4.8**	**3.3**	**45.1**	**8.4**
TOTAL PUBLIC AND PRIVATE	**14.5**	**3.3**	**30.5**	**5.3**
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	17.2	3.7	46.3	9.8
Teacher's Service Commission	10.9	6.4	47.8	8.9
Parastatal Bodies[2]	-11.5	1.5	43.8	5.0
Majority Control by the Public Sector[3]	-11.6	1.5	44.0	5.0
Local Government	-11.7	-4.9	88.0	14.5
TOTAL PUBLIC SECTOR	**4.8**	**3.3**	**45.1**	**8.4**

* Provisional

[1] Refers to position as at 30th June annualised

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.18. Estimated real average earnings per employee by sector and industry and changes in wage, prices and real earnings for the period 2007 to 2011 are shown in Tables 4.11 and 4.12. Overall, average real earnings declined by 8.1 per cent from KSh 371,513.8 in 2010 to KSh 341,584.4 per annum in 2011. Private sector real earnings went down by 9.3 per cent from their 2010 levels whereas those for public sector employees declined by 5.3 per cent attributed to high inflation rates.

Table 4.11: Estimated Real Average Wage Earnings per Employee[1], 2007 - 2011

KSh Per Annum

	2007	2008	2009	2010	2011*
PRIVATE SECTOR:					
Agriculture and Forestry	190,559.1	165,854.5	160,912.4	159,031.3	145,070.9
Mining and Quarrying	312,972.6	208,293.6	217,952.8	210,080.9	192,622.9
Manufacturing	282,802.3	254,923.0	243,765.8	237,896.1	217,428.6
Electricity and Water	989,226.7	648,990.5	455,564.6	432,739.9	390,708.5
Building and Construction	449,007.4	415,410.9	389,613.7	382,488.3	339,203.0
Trade, Restaurants and Hotels	608,755.7	459,318.9	404,331.6	387,421.0	348,282.8
Transport and Communications	761,400.8	712,418.2	691,341.0	671,626.7	600,238.2
Finance, Insurance Real Estate and Business Services	886,234.9	804,065.6	806,751.3	803,014.0	730,894.4
Community, Social & Personal Services	489,436.2	451,947.1	415,955.4	405,553.1	363,075.3
TOTAL PRIVATE SECTOR	**448,940.8**	**397,318.0**	**376,834.7**	**370,092.4**	**335,751.1**
PUBLIC SECTOR:					
Agriculture and Forestry	235,305.9	223,342.3	211,945.1	216,999.2	204,417.8
Mining and Quarrying	263,594.0	234,560.2	187,006.4	189,762.3	181,890.7
Manufacturing	563,989.9	509,023.1	472,318.2	478,466.6	445,677.5
Electricity and Water	675,698.8	619,154.0	602,417.6	619,083.1	579,608.2
Building and Construction	371,125.3	346,894.3	336,478.2	346,116.8	328,321.9
Trade, Restaurants and Hotels	711,537.7	605,367.7	638,754.9	700,025.4	704,494.0
Transport and Communications	643,528.9	664,326.5	715,200.2	734,147.1	709,295.1
Finance, Insurance Real Estate and Business Services	1,111,106.4	910,119.4	887,249.3	885,176.4	823,804.2
Community, Social & Personal Services	386,358.8	357,934.9	338,642.6	347,145.6	328,042.1
TOTAL PUBLIC SECTOR	**410,208.8**	**380,365.7**	**365,603.6**	**373,935.5**	**353,974.8**
TOTAL PRIVATE AND PUBLIC SECTOR	**436,243.9**	**391,753.8**	**373,153.6**	**371,513.8**	**341,584.4**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	305,933.1	277,568.7	282,793.3	286,836.2	275,205.5
Teachers Service Commission	368,623.9	350,928.9	318,289.2	342,256.5	325,644.4
Parastatal Bodies	677,054.0	613,148.1	598,854.2	586,768.8	538,144.8
Majority Control by the Public Sector	894,169.2	810,529.1	791,633.7	775,657.9	711,381.1
Local Government	282,463.2	270,464.0	259,481.3	274,303.5	274,224.8
TOTAL PUBLIC SECTOR	**410,208.8**	**380,365.7**	**365,603.6**	**373,935.5**	**353,974.8**

* Provisional.

[1]Average current earnings adjusted for inflation

Table 4.12: Changes in Wage Employment, Prices and Real Earnings, 2007 - 2011

Percentage

	2007	2008	2009	2010	2011*
Wage employment	2.8	1.8	2.8	2.9	3.3
Average earnings at current prices	8.7	5.8	4.0	3.0	5.3
Consumer prices (Inflation rates)[1]	4.0	17.8	9.9	3.5	14.5
Real average earnings	4.5	-10.2	-4.7	-0.4	-8.1

* Provisional.

[1] Inflation rates at June of each year

Informal Sector

4.19. Informal sector covers all small-scale activities that are semi-organised, unregulated and use low and simple technologies. The sector continues to play an important role in complementing the modern sector in creation of employment opportunities for the youth who exit from learning institutions and the older population that exits from employment in the modern sector. The ease of entry into and exit from this sector coupled with use of low level technology makes it an avenue for employment creation. Availability of credit from Micro

Finance Institutions, the Government and Savings and Co-operative Societies, has played a major role in providing funds to the players in this sector, which has in turn seen it grow over the years.

4.20. Job creation in this sector went up by 5.1 per cent in 2011. As shown in Table 4.13, the increase was 445,900 indicating a higher growth in absolute terms compared to the increase of 437,300 registered in 2010. Analysis by province shows that Western Province registered the highest increase of 5.7 per cent in informal employment creation, while Nairobi and Coast provinces recorded 5.5 and 5.4 per cent increases, respectively.

4.21. Further analysis of Table 4.13 reveals that rural areas absorbed 61.0 per cent of informal sector employment. In 2011, Nairobi province accounted for 24.8 per cent with the highest informal sector employment of 2,299.2 thousand persons, followed by Rift Valley province, which absorbed 1,743.4 thousand persons, representing 18.8 per cent of the total employment in the sector. North Eastern province absorbed the least number of persons in the sector.

Table 4.13: Number of Persons Engaged in the Informal Sector by Province, 2007 - 2011

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Province	2007	2008	2009	2010	2011*
Nairobi	1,824.5	1,945.1	2,061.1	2,178.5	2,299.2
Central	1,187.2	1,256.4	1,326.7	1,395.4	1,465.4
Nyanza	878.4	920.9	968.0	1,011.7	1,055.5
Western	548.5	586.2	621.9	658.3	695.9
Rift Valley	1,417.5	1,498.2	1,581.1	1,661.6	1,743.4
Eastern	680.4	709.8	744.4	775.4	806.3
Coast	930.7	990.5	1,048.8	1,107.2	1,167.2
North Eastern	34.4	35.4	36.9	38.1	39.2
TOTAL	**7,501.6**	**7,942.5**	**8,388.9**	**8,826.2**	**9,272.1**
Of which					
Urban	2,925.6	3,100.3	3,276.0	3,441.0	3,614.8
Rural	4,576.0	4,842.2	5,112.9	5,385.2	5,657.3

* Provisional

4.22. Engagement in the informal sector by industry is presented in Table 4.14. Employment in the sector was highest in the wholesale and retail trade, hotels and restaurants industry, which absorbed 60.3 per cent of the persons engaged in the informal sector. This is attributed to the ease of entry into and exit from the industry where skills are minimal. Manufacturing accounted for 19.7 per cent of the persons. Construction industry registered the highest increase of 8.4 per cent, followed by wholesale and retail trade, hotels and restaurants.

Table 4.14: Number of Persons Engaged in the Informal Sector by Activity[1], 2007 - 2011

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Activity	2007	2008	2009	2010	2011*
Manufacturing	1,567.1	1,644.2	1,711.2	1,780.8	1,829.3
Construction	202.8	211.4	217.5	224.5	243.3
Wholesale and Retail Trade, Hotels and Restaurants ..	4,446.2	4,719.0	5,003.7	5,279.4	5,593.0
Transport and Communications	228.8	243.5	259.4	274.6	287.6
Community, Social and Personal Services	715.4	763.0	815.3	865.1	900.8
Others	341.3	361.4	381.9	401.8	418.1
**TOTAL .. ..

Table 4.15: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 2007– 2011

KSh

Type of Employee	2007	2008	2009	2010	2011
UNSKILLED EMPLOYEES	2,536	2,536	3,043	3,347	3,765
STOCKMAN, HERDSMAN AND WATCHMAN ...	2,928	2,928	3,514	3,865	4,348
SKILLED AND SEMI-SKILLED EMPLOYEES ...					
House servant or cook	2,894	2,894	3,473	3,820	4,298
Farm foreman	4,573	4,573	5,488	6,037	6,792
Farm clerk	4,573	4,573	5,488	6,037	6,792
Senior foreman	2,961	2,961	3,553	3,908	4,397
Farm artisan	3,030	3,030	3,636	4,000	4,500
Tractor driver	3,213	3,213	3,856	4,242	4,772
Combine harvester driver	3,540	3,540	4,248	4,673	5,257
Lorry driver or car driver	3,715	3,715	4,458	4,904	5,517
AVERAGE	**3,396**	**3,396**	**4,076**	**4,483**	**5,044**

Source: Ministry of Labour and Human Resource Development

4.26. As shown in Table 4.16, the average gazetted monthly basic minimum wages in Nairobi, Mombasa and Kisumu cities went up from KSh 10,606 in 2010 to KSh 11,911 in 2011. Average basic minimum monthly wages for other municipalities plus Mavoko and Ruiru town councils increased from KSh 9,836 in 2010 to KSh 11,066 in 2011. Similarly, wages in all other towns rose from KSh 8,368 to KSh 9,413 over the same period.

Table 4.16: Gazetted Monthly Basic Minimum Wages in Urban Areas[1], 2010 - 2011

KSh

Occupation	Nairobi area, Mombasa & Kisumu		Municipalities plus Mavoko & Ruiru Town Councils		All other towns	
	2010	2011	2010	2011	2010	2011
General labourer	6,743	7,586	6,221	6,999	3,597	4,047
Miner, stone cutter, turnboy, waiter, cook ...	7,283	8,193	6,461	7,269	4,156	4,676
Night watchman	7,523	8,463	6,974	7,846	4,291	4,827
Machine attendant	7,643	8,598	7,112	8,001	5,764	6,485
Machinist	8,724	9,815	8,162	9,182	6,673	7,507
Plywood machine operator	9,101	10,239	8,400	9,450	6,943	7,811
Pattern designer	10,386	11,684	9,495	10,682	8,096	9,108
Tailor, Driver (medium vehicle)	11,446	12,877	10,520	11,835	9,380	10,553
Dyer, Crawler, Tractor driver, Salesman	12,636	14,216	11,790	13,264	10,641	11,971
Saw doctor, Caretaker (building)	13,984	15,732	13,058	14,690	12,164	13,685
Cashier, Driver (heavy commercial)	15,216	17,118	14,319	16,109	13,426	15,104
Artisan (Ungraded)	9,101	10,239	8,400	9,450	6,943	7,811
Artisan Grade III	11,446	12,877	10,520	11,835	9,380	10,533
Artisan Grade II	12,636	13,908	11,790	13,264	10,641	11,971
Artisan Grade I	15,216	17,118	14,319	16,109	13,426	15,104
AVERAGE	**10,606**	**11,911**	**9,836**	**11,066**	**8,368**	**9,413**

Source: Ministry of Labour and Human Resource Development

[1] Excluding housing allowance

4.27. Collective bargaining is a formal process that involves negotiation, consultation and exchange of information between the employers and workers, the end goal being an agreement that is mutually acceptable to all parties. The agreements reached through this process are

legally binding and applies to all workers whether or not they actively participated in the bargaining process. The Industrial Court has jurisdiction to register collective bargaining agreements between employers and workers through their respective union representatives as provided by the industrial relations machinery. During arbitration, Industrial Court gives consideration to realised productivity gains, the ability of the economy to sustain increased labour costs and the cost of living compensation factor in the determination of wage awards.

4.28. Table 4.17 shows the number of collective bargaining agreements registered by the Industrial Court in 2010 and 2011. The number of registered agreements increased from 266 in 2010 to 362 in 2011. There was notable increase in the number of agreements in community and social services, wholesale and retail trade, restaurant and hotels and food, beverage and tobacco and electronics and electrical products. The registered agreements reflected an average monthly basic wage of KSh 24,597 in 2011 compared to KSh 21,277 in 2010. During the same period, the monthly housing allowance offered increased by 19.3 per cent to KSh 4,118 in 2011. The number of unionisable employees covered by the agreements stood at 96,356 in 2011 compared to 101,282 in 2010. Agriculture, forestry, hunting and fishing sector had the highest decline in the number of unionisable employees covered by the agreements in 2011.

Table 4.17: Collective Bargaining Agreements Registered by the Industrial Court, 2010 and 2011

	Number of Agreements		No. of Unionisable Employees Covered by the Agreements		Monthly Basic Wage (KSh)		Monthly Housing Allowance Offered (KSh)	
	2010	2011*	2010	2011*	2010	2011*	2010	2011*
Agriculture, Forestry, Hunting & Fishing	30	23	33,210	11,072	10,044	8,864	1,895	1,699
Mining & Quarrying	1	4	96	488	7,385	10,320	2,800	1,823
Manufacturing of :								
Food, Beverage & Tobacco	29	42	5,213	9,598	17,406	23,828	2,805	3,209
Textile, Wearing Apparels & Leather Industry	23	18	8,499	4,142	8,602	10,008	2,310	2,283
Wood & Wood Industry including Furniture	4	7	3,523	1,192	12,681	10,628	2,004	2,230
Paper & Paper Products, Printing & Publishing	8	16	842	1,530	15,092	16,113	2,974	3,433
Chemical, Petroleum Rubber & Plastic Product	21	24	1,564	1,070	19,535	28,843	2,670	2,565
Glass, Ceramic & Cement	1	4	29	679	35,074	28,953	6,050	0
Basic Metal Industries	0	2	0	258	0	16,251	0	8,401
Electronics & Electrical Products	35	55	1,841	3,040	14,271	14,946	2,458	3,712
Other Manufacturing industries	1	0	22	0	11,837	0	2,000	2,632
Electricity and Water	4	7	2,007	7,781	22,882	36,169	7,184	8,341
Building & Construction	1	4	58	274	12,591	14,860	1,930	6,806
Wholesale & Retail Trade, Restaurant & Hotels	23	37	2,825	2,410	17,333	13,318	4,053	2,628
Transport and Communication	29	36	10,339	12,073	24,932	66,032	3,642	6,028
Finance, Insurance, Real Estate & Business Services	24	26	16,142	32,606	84,413	97,022	5,361	6,018
Community & Social Services	32	57	15,072	8,401	26,359	21,992	5,096	4,088
Total/Average	**266**	**362**	**101,282**	**96,356**	**21,277**	**24,597**	**3,452**	**4,118**

Source: Ministry of Labour & Human Resource Development

* Provisional

Consumer Price Index

4.29. Consumer Price Index (CPI) is used to measure inflation rate. The overall annual inflation rate increased from 4.1 per cent in 2010 to 14.0 per cent in 2011. This rise was mainly caused by a number of factors among them the sharp increase in oil and food prices. The rise in oil prices emanated from supply disruption associated with political unrest in some of the oil producing countries, while the increase in food prices resulted mainly from weather-related supply constraints and rise in global commodity prices. The country received inadequate rainfall in the first half of the year under review and this pushed the prices of a number of staple food items upwards. The depreciation of the Kenya shilling against major world currencies

further accelerated the prices of imported products.

4.30. Table 4.18 shows the price changes in the 12 broad divisions, the weights of which were derived from the 2005/06 Kenya Integrated Household Budget Survey (KIHBS 2005/06). The 12 divisions are in line with the Classification of Individual Consumption by Purpose (COICOP), as recommended in the International Labour Organisation (ILO) manual (2004). The annual average CPI for food and non-alcoholic drinks increased from 109.35 in 2010 to 131.77 in 2011 equivalent to an annual inflation rate of 20.5 per cent which was higher than the 5.9 per cent recorded in 2010.

4.31. During the review period, the acceleration in food inflation rate was mainly due to increases in the prices of maize flour, maize grain, cooking fat and sugar. The average cost of a 2 Kg packet of maize flour rose from KSh 76.9 in 2010 to KSh 108.7 in 2011, a rise of 41.4 per cent. Average cost of one kg of cooking fat increased by 38.5 per cent from KSh 161.0 in 2010 to KSh 223.0 in 2011. The prices of sugar, tomatoes and carrots went up by 32.7, 32.3 and 25.6 per cent, respectively.

4.32. In broad item group of housing, water, electricity, gas and other fuels, the index rose by 11.4 per cent from 105.09 points to 117.12 points. The rise was mainly caused by increases in the prices of kerosene, electricity and cooking gas. On average, a litre of kerosene increased from KSh 63.50 in 2010 to KSh 87.87 in 2011, a rise of 38.4 per cent. Transport index increased by 21.4 per cent due to increases in the prices of diesel and petrol. During the year under review, price of a litre of diesel rose from an average of KSh 82.22 in 2010 to KSh 104.79 in 2011 an increase of 27.5 per cent. The restaurant and hotels index increased by 14.6 per cent as a result of rise in prices of food served in the hotels. On average, calling rates declined in 2011 compared to 2010 as a consequence of competition and this caused the communication's index to drop by 15.7 per cent.

Table 4.18: CPI and Inflation by Commodities, 2010 and 2011

February 2009=100

Broad Item Group	Weights (Per cent)	Annual Average Index 2010	Annual Average Index 2011	% Change
Food & Non-Alcoholic Beverages	36.03	109.35	131.77	20.5
Alcoholic Beverages, Tobacco & Narcotics	2.06	111.48	122.00	9.4
Clothing & Footwear	7.43	104.97	112.39	7.1
Housing, Water, Electricity, Gas and other Fuels	18.30	105.09	117.12	11.4
Furnishings, Household Equipment and Routine Household Maintenance	6.16	104.07	113.05	8.6
Health	3.13	106.16	113.83	7.2
Transport	8.67	107.92	130.98	21.4
Communication	3.82	89.32	75.29	-15.7
Recreation & Culture	2.25	101.85	109.92	7.9
Education	3.14	101.38	105.81	4.4
Restaurant & Hotels	4.49	106.68	122.30	14.6
Miscellaneous Goods & Services	4.52	103.70	111.21	7.2
Weighted average of all Items	**100.00**	**106.26**	**121.17**	**14.0**

Inflation by Income Groups

4.33. Table 4.19 shows annual inflation rates for the different income groups over the last five years. Inflationary pressures in the Nairobi Lower income group increased significantly by 10.4 percentage points to stand at 15.1 per cent in 2011. The Nairobi Middle income, Nairobi Upper income groups and the rest of urban areas also registered increases in inflation rates but at lower margins.

Table 4.19: Annual Inflation Rates by Income Groups, 2007-2011

Per cent

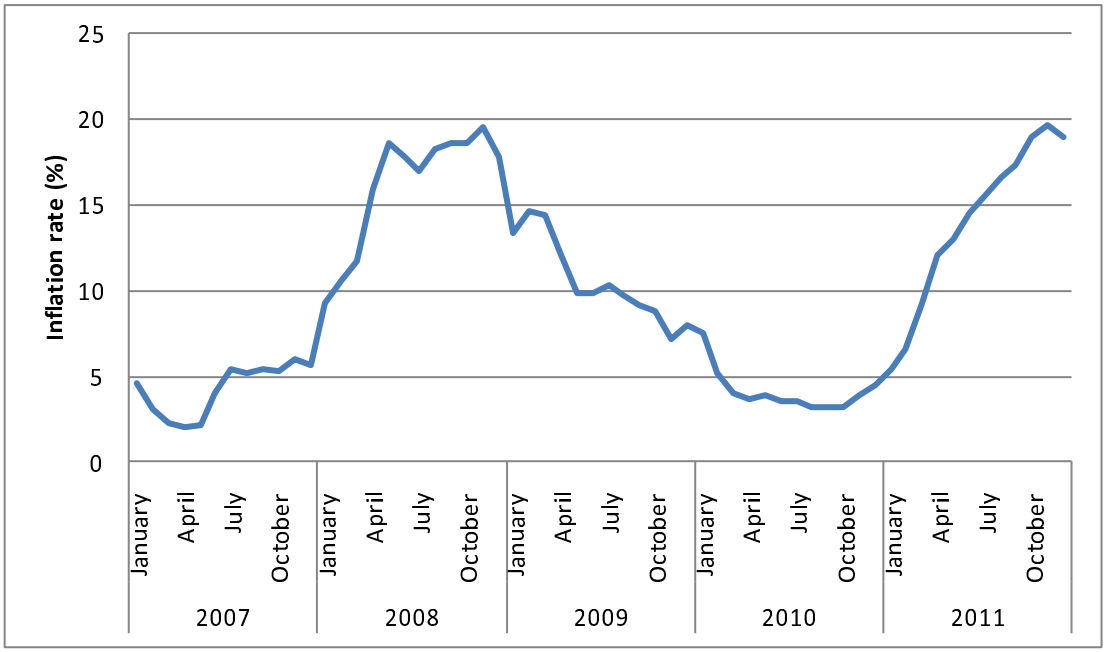
Income Group	2007	2008	2009	2010	2011
Nairobi Lower Income Inflation.....	4.0	17.9	12.4	4.7	15.1
Nairobi Middle Income Inflation...	4.1	10.9	6.1	2.1	9.9
Nairobi Upper Income Inflation...	4.1	10.9	6.4	5.6	9.9
Nairobi Inflation.....	**4.0**	**16.7**	**11.2**	**4.2**	**14.1**
Rest of Urban Towns Inflation...	4.4	15.9	10.2	4.0	14.3
Kenya Inflation Rate..... ...	**4.3**	**16.2**	**10.5**	**4.1**	**14.0**

Note:

1. The Nairobi composite index is weighted as 0.723 for lower, 0.241 for middle and 0.036 for upper income groups respectively while the Kenya composite index is weighted as 0.412 for Nairobi and 0.638 for the rest of urban areas.
2. The Nairobi lower Income group comprises of households spending less than KSh 23,670 in October 2005
3. The Nairobi Middle income group comprises of households spending between KSh 23,671 to KSh 119,999 in
4. The Nairobi Upper Income group comprises of households spending above KSh 120,000 in October 2005

4.34. Figure 4.2 shows the trend in inflation from 2007 to 2011. Overall inflation was highest in the first quarter of 2008 and the months of September and October 2011. This was as a result of the post election violence that disrupted production and distribution of goods and services in the early part of 2008 and inadequate rainfall in the country in the first half of 2011 coupled with depreciation of domestic currency.

Figure 4.2: Trends in inflation rates 2007-2011



4.35. Tables 4.20 to 4.25 show a five year series of the CPI for the Nairobi Lower, Nairobi Middle, Nairobi Upper, Nairobi combined, rest of urban areas and national (Kenya), respectively. The 2009, 2010 and 2011 indices were derived from the new CPI basket while the indices for the other years were spliced from the previous basket.

Table 4.20: Consumer Price Indices for the Nairobi Lower Income Group, 2007-2011

February 2009=100

Month	2007	2008	2009	2010	2011
January	77.19	85.56	97.38	105.60	111.59
February	77.24	85.86	100.00	106.16	114.08
March	77.32	87.22	101.59	105.78	117.46
April	75.80	89.82	102.24	106.38	121.32
May	75.42	91.54	102.56	106.85	121.77
June	76.10	90.80	102.65	106.67	123.70
July	76.68	91.13	102.84	107.61	124.83
August	77.17	92.80	103.56	108.11	126.64
September	77.85	93.95	104.23	108.73	128.27
October	78.20	94.71	104.58	108.38	129.60
November	79.22	96.39	104.59	108.80	131.23
December	80.83	95.75	105.37	110.33	133.09
Annual average	**77.42**	**91.29**	**102.63**	**107.45**	**123.63**

Table 4.21: Consumer Price Indices, Nairobi Middle Income Group, 2007-2011

February 2009=100

Month	2007	2008	2009	2010	2011
January	84.59	91.38	99.78	102.93	106.64
February	84.99	91.72	100.00	102.95	107.26
March	84.69	93.81	100.46	103.34	108.86
April	84.73	95.42	100.95	103.52	111.35
May	84.74	94.90	100.91	103.39	112.42
June	85.04	95.37	101.15	103.09	112.95
July	85.32	96.11	101.44	103.34	113.83
August	85.89	95.84	102.06	103.39	115.05
September	87.63	97.53	102.01	103.70	116.57
October	88.18	98.64	102.30	103.97	118.86
November	88.52	97.84	102.49	104.65	120.95
December	88.80	97.55	102.71	103.83	121.73
Annual average	**86.09**	**95.51**	**101.35**	**103.51**	**113.87**

Table 4.22: Consumer Price Indices, Nairobi Upper Income Group, 2007-2011

February 2009=100

Month	2007	2008	2009	2010	2011
January	84.59	91.38	99.78	105.51	110.90
February	84.99	91.72	100.00	105.56	111.29
March	84.69	93.81	99.92	106.23	111.95
April	84.73	95.42	100.04	106.32	113.12
May	84.74	94.90	100.08	107.30	113.93
June	85.04	95.37	100.78	107.39	118.28
July	85.32	96.11	101.60	107.62	120.18
August	85.89	95.84	102.25	107.07	120.90
September	87.63	97.53	103.33	107.67	121.83
October	88.18	98.64	103.03	107.89	123.51
November	88.52	97.84	103.85	109.24	124.52
December	88.80	97.55	104.26	109.09	124.03
Annual average	**86.09**	**95.51**	**101.58**	**107.24**	**117.87**

Table 4.23: Consumer Price Indices, Overall Nairobi, 2007-2011

February 2009=100

Month	2007	2008	2009	2010	2011
January	78.35	86.47	97.76	104.95	110.37
February	78.45	86.78	100.00	105.36	112.33
March	78.47	88.25	101.25	105.21	115.18
April	77.20	90.70	101.85	105.69	118.60
May	76.88	92.07	102.07	106.03	119.22
June	77.50	91.52	102.22	105.84	120.90
July	78.03	91.91	102.46	106.58	122.00
August	78.54	93.27	103.15	106.93	123.63
September	79.38	94.51	103.66	107.48	125.21
October	79.77	95.32	103.97	107.30	126.78
November	80.68	96.61	104.06	107.81	128.49
December	82.08	96.04	104.69	109.04	130.01
Annual average	**78.78**	**91.95**	**102.26**	**106.52**	**121.06**

Table 4.24: Consumer Price Indices, Rest of Urban areas, 2007-2011

February 2009=100

Month	2007	2008	2009	2010	2011
January	78.75	85.65	97.31	104.84	110.71
February	79.12	87.47	100.00	105.05	111.87
March	79.26	88.39	100.76	104.80	114.22
April	79.01	91.03	101.83	105.48	118.07
May	78.89	92.97	101.68	105.62	119.67
June	79.52	93.61	101.93	105.45	120.91
July	79.78	93.09	102.24	105.56	122.75
August	79.49	93.83	102.79	105.78	124.21
September	79.88	94.67	103.26	106.22	125.24
October	80.54	95.23	103.47	106.74	127.50
November	81.29	97.05	103.75	107.90	129.57
December	82.50	97.66	104.64	109.62	130.15
Annual average	**79.83**	**92.56**	**101.97**	**106.09**	**121.24**

Table 4.25: Consumer Price Indices, Kenya, 2007-2011

February 2009=100

Month	2007	2008	2009	2010	2011
January	78.74	86.07	97.55	104.89	110.57
February	78.90	87.25	100.00	105.18	112.06
March	78.94	88.22	100.96	104.97	114.62
April	78.35	90.85	101.84	105.56	118.29
May	78.15	92.68	101.84	105.79	119.48
June	78.84	92.89	102.05	105.61	120.91
July	79.25	92.75	102.33	105.98	122.44
August	79.27	93.79	102.94	106.25	123.97
September	79.84	94.72	103.42	106.74	125.23
October	80.34	95.29	103.68	106.97	127.20
November	81.10	96.95	103.87	107.86	129.13
December	82.25	96.89	104.66	109.38	130.09
Annual average	**79.50**	**92.36**	**102.10**	**106.26**	**121.17**

Chapter 5

Money, Banking and Finance

Overview

In 2011, the financial sector was faced with a number of challenges that included high inflation and the "twin crises" comprising the ripple effects of the global financial crisis and the euro-zone crisis. On the domestic scene, the monetary policy was premised on the need to contain the rising cost of living that emanated from a tumultuous financial environment. On the global scene, the high international oil prices and uncertainties in Europe associated with the potential Greek debt default affected the Kenya Shilling which depreciated to an all time low. The Monetary Policy Committee (MPC) undertook a gradual tightening of monetary policy to rein in on inflationary pressures and stabilise the exchange rate by raising the Central Bank Rate (CBR) from 6.25 per cent in May 2011 to 7.00 per cent in September 2011. In addition, the Cash Reserve Ratio (CRR) was raised from 4.50 per cent to 4.75 per cent during the period to reinforce the monetary policy stance. However, following persistence of the inflationary and exchange rate pressures for longer than earlier anticipated, the MPC augmented the tightening of monetary policy in October 2011 by raising the CBR further to 11.00 per cent and eventually to 18.00 per cent in December 2011, while the CRR was raised further to 5.25 per cent.

5.2. The upward adjustment of the CBR prompted commercial banks to raise interest rates thereby reducing liquidity in the market. Towards the end of the year, the pressure on the Kenya Shilling eased considerably and resulted in a reversal of the inflationary trend. During the review period, the weighted average interest rate for 91- day Treasury bills increased by 704 basis points to 18.30 per cent. Over the same period, the money market experienced liquidity tightness with commercial banks maintaining an average liquidity of 39.8 per cent. Performance of the stock market slowed down during the year as reflected by the NSE 20 Share Index that dropped by 1,228 points to stand at 3,205 points as at December 2011.

Monetary Indicators, Aggregates and the Consolidated Balance Sheet for the Banking System

5.3. Table 5.1 presents monetary indicators for the period 2007-2011. In 2011, the net foreign assets of the banking system stood at KSh 297.3 billion up from KSh 271.5 billion in 2010, representing a 9.5 per cent growth. Over the same period, the overall domestic credit grew by 20.8 per cent to KSh 1,532.1 billion up from KSh 1,267.9 billion in 2010. The growth was mainly on account of a 30.8 per cent increase of credit to the private sector. Despite the year on year increase in credit to private sector, there was an evident slowdown over the second half of year due to rise in Central Bank of Kenya (CBK) interest rates. Broad money supply (M3) registered a decelerated increase of 19.1 per cent in 2011 compared to 28.9 per cent recorded in 2010 to stand at KSh 1,514.2 billion in December 2011.

Table 5.1: Monetary Indicators, 2007-2011

As at end of	Net Foreign Assets (KSh mn)	DOMESTIC CREDIT (KSh mn)			Money Supply[2] (M3) (KSh mn)	Commercial Bank Liquidity Ratio (per cent)	Advances/ Deposits Ratio (per cent)
		Private[1]	Government	Total			
2007 Dec	256,690	533,804	136,968	670,771	777,596	41.4	73
2008 Dec	251,049	664,636	162,777	827,413	901,055	39.3	73
2009 Dec	245,304	759,794	218,525	978,319	1,045,657	40.1	71
2010 Dec	271,491	920,671	347,270	1,267,940	1,271,638	43.3	74
2011 Mar	287,871	981,852	357,195	1,339,047	1,324,685	43.9	74
Jun	283,811	1,076,214	328,498	1,404,712	1,380,732	38.4	77
Sep	312,146	1,191,610	343,394	1,535,004	1,484,198	37.5	78
Dec	297,294	1,203,946	328,105	1,532,051	1,514,152	37.8	79

Source: Central Bank of Kenya

[1] Includes other public sectors

[2] See Table 5.2 for coverage

5.4. The average liquidity ratio maintained in the commercial banks declined by 5.5 percentage points to stand at 37.8 per cent in December 2011. This can partly be explained by the action of MPC to raise the CBR and the CRR in an effort to rein in on inflation, as well as contain the depreciation of the Kenya Shilling. Commercial banks advances to deposits ratio rose to 79 per cent in December 2011 from 74 per cent recorded in a similar period in 2010. The rise in the ratio may be partly attributed to momentum in velocity of money as banks took time to react to the MPC's action as evidenced by the slow increase in overall domestic credit.

Table 5.2: Money and Quasi-Money Supply, 2007 - 2011

KSh Million

As at end of	Money[1] (M1)	Quasi-Money		Broad Money Supply		Overall liquidity
		Banks	Others	M2	M3	L
2007 Dec	373,310	281,635	14,321	666,875	777,596	971,628
2008 Dec	392,778	360,300	13,531	766,393	901,055	1,091,929
2009 Dec	442,245	438,804	17,199	898,099	1,045,657	1,280,440
2010 Dec	577,206	506,654	15,490	1,099,234	1,271,638	1,569,560
2011* Jan	575,904	522,208	15,900	1,113,901	1,285,452	1,589,272
Feb	586,000	527,850	16,258	1,129,991	1,306,395	1,611,796
Mar	603,414	525,611	16,125	1,145,003	1,324,685	1,637,418
Apr	592,311	536,401	15,816	1,144,395	1,334,898	1,649,503
May	605,559	543,595	16,043	1,165,087	1,351,392	1,671,650
Jun	620,132	546,886	16,960	1,183,864	1,380,732	1,720,573
Jul	624,466	557,043	16,460	1,197,837	1,412,702	1,732,473
Aug	619,973	567,952	15,340	1,203,146	1,436,877	1,761,121
Sep	627,711	587,157	18,081	1,232,807	1,484,198	1,819,935
Oct	661,745	560,262	16,947	1,238,834	1,513,656	1,872,469
Nov	632,682	589,627	17,065	1,238,922	1,489,751	1,836,034
Dec	622,731	613,279	18,089	1,253,958	1,514,152	1,876,142

Source: Central Bank of Kenya.
*Provisional

[1] Currency outside banks plus all demand deposits except; those of Central Government, Local Government, Commercial Banks, Non Residents and foreign currency denominated deposits

5.5. Money supply aggregates are presented in Table 5.2. Money supply (M1) grew by 7.9 per cent in 2011 to stand at KSh 622.7 billion compared to an expansion of 30.5 per cent in 2010. Broad money supply (M2) recorded a decelerated growth of 14.1 per cent to stand at KSh 1,254.0 billion, compared to a growth of 22.4 per cent in December 2010. Broad money supply (M3) that includes Foreign Currency Deposits (FCDs) increased by 19.1 per cent in 2011 compared to 21.6 per cent growth in 2010. Overall liquidity increased by 19.5 per cent in December 2011 to stand at KSh 1,876.1 billion compared to a 22.6 per cent growth recorded in 2010. The slowed growth in the monetary aggregates was as a result of the Government's effort to control the escalating inflation.

Consolidated Accounts of the Banking System 2007 - 2011

5.6. The consolidated banking system balance sheet is presented in Table 5.3. During the review period, the assets of the banking system expanded by 18.8 per cent compared to 25.8 per cent growth recorded in 2010, to stand at KSh 1,829.3 billion. The growth in assets in 2011 was due to a 9.5 per cent increase in net foreign assets and 20.8 per cent increase in overall domestic credit in the same period. The increase in liabilities was due to 7.9 per cent growth in demand deposits and currency outside banks, 21.0 per cent increase in quasi-money deposits of the commercial banks and 50.9 per cent growth in Foreign Currency Deposits (FCDs). Despite the significant increase in the FCDs, the growth of broad money supply (M3) remained modest over second half of 2011. Share of domestic credit to Central Government (net) as percentage of total credit declined from 27.4 per cent in December 2010 to 21.4 per cent in December 2011.

Table 5.3: Consolidated Accounts of the Banking System, 2007 - 2011

	2007	2008	2009	2010	2011*			
LIABILITIES-	Dec	Dec	Dec	Dec	March	June	Sept	Dec
1 Money (M1):								
1.1 Demand Deposits	277,186	298,899	341,253	454,179	489,038	501,072	503,839	485,628
1.2 Currency outside banks ..	96,124	93,880	100,992	123,027	114,376	119,060	123,872	137,103
Sub-Total	373,310	392,778	442,245	577,206	603,414	620,132	627,711	622,731
2 Quasi-Money(MS):								
2.1 Call + 7 days Notice Deposits..	39,978	33,497	52,718	39,621	42,367	40,739	57,404	61,197
2.2 Savings Deposits	77,243	92,009	109,924	134,799	145,898	152,886	152,463	150,129
2.3 Time Deposits	164,414	234,793	276,162	332,233	337,346	353,261	377,290	401,953
Sub-Total (quasi-money banks)	281,635	360,300	438,804	506,654	525,611	546,886	587,157	613,279
Money (M1) & MS (Banks)	654,944	753,078	881,049	1,083,860	1,129,024	1,167,018	1,214,868	1,236,010
3 Quasi-Money (Other)	14,321	13,531	17,199	15,490	16,125	16,960	18,081	18,089
Broad Money Supply (M2)	666,875	766,393	898,099	1,099,234	1,145,003	1,183,864	1,232,807	1,253,958
4 Foreign Currency Deposits	110,721	134,662	147,557	172,404	179,682	196,868	251,391	260,193
Broad Money Supply (M3)	777,596	901,055	1,045,657	1,271,638	1,324,685	1,380,732	1,484,198	1,514,152
5 Treasury Bill Holdings	194,032	190,874	234,783	297,922	312,734	339,841	335,737	361,990
Broad Money Supply (L)	971,628	1,091,929	1,280,440	1,569,560	1,637,418	1,720,573	1,819,935	1,876,142
6 Other Items (Net)	149,866	186,895	177,967	267,792	302,233	307,790	362,952	315,194
TOTAL	927,461	1,087,950	1,223,624	1,539,431	1,626,917	1,688,522	1,847,150	1,829,346
ASSETS-								
7 Net Foreign Assets	256,690	251,049	245,304	271,491	287,871	283,811	312,146	297,294
8 Domestic Credit:								
8.1 Central Govt. (Net).. ..	136,968	162,777	218,525	347,270	357,195	328,498	343,394	328,105
8.2 Other Public Bodies ..	14,347	11,807	12,482	22,180	17,044	21,749	32,816	30,809
8.3 Private Sector	519,457	662,317	747,312	898,490	964,808	1,054,465	1,158,794	1,173,137
Sub-Total	670,771	836,901	978,319	1,267,940	1,339,047	1,404,711	1,535,004	1,532,051
TOTAL	927,461	1,087,950	1,223,624	1,539,431	1,626,917	1,688,522	1,847,150	1,829,346

Source: Central Bank of Kenya

* Provisional

Notes:

(a) The items include currency outside banking institutions and deposits held by Central Bank, all deposits as well as certificates of deposits held by the private and other public sectors with banking institutions. Excluded are Central Government, Local Government and Non-residents deposits with banking institutions.

(b) Broad Money , **M3**, comprises M2 and foreign currency holdings by residents.

(c) Broad Money , **L**, comprises M3 and Treasury Bill holdings by the non-bank public.

(d) Other Items Net Includes SDR allocated by IMF.

(e) Net Foreign Assets includes Government reserve position in the IMF and deposits with crown agents.

(f) Treasury Bill holdings by the non-bank public is not included in total liabilities of the banking sytem.

(g)M2 is money supplied by CBK, Commercial Banks and excludes cash and tills and demand deposits.

Sources of Changes in M3 and Real Values of Selected Financial Aggregates

5.7. Changes in money supply and their sources are reflected in Table 5.4. Contributing to growth in broad money supply (M3) were mainly increases in quasi money deposits of the commercial banks, FCDs and currency and demand deposits with shares of 44.0 per cent, 36.2 per cent and 18.8 per cent of the total increase, respectively. The major source of growth was in the 30.6 per cent increase in credit to the private sector.

Table 5.4: Changes in Money Supply and the Sources[1], 2007 – 2011

KSh Million

	2007	2008	2009	2010	2011
MONEY SUPPLY					
1 Currency plus demand deposits	81,520	19,469	49,467	134,961	45,525
2 Quasi-money(MS)	30,683	78,665	78,504	67,850	106,625
3 Quasi-money(Other)	764	-790	3,667	-1,709	2,599
4 Foreign Currency Deposits	11,592	23,941	12,895	24,847	87,789
5 Broad Money supply (M3)	124,560	123,459	144,602	225,982	242,513
SOURCES OF CHANGES					
6 Net foreign assets	47,163	-5,641	-5,745	26,186	25,804
7 All Domestic Credit	70,755	166,130	141,418	289,621	264,111
(a) to Central Government(net)	2,240	25,810	55,748	128,744	675,375
(b) to other public sector	-4,118	-2,540	676	9,698	8,629
(c) to private sector	72,633	142,860	84,995	151,178	274,647
8 Other Items (Net)	6,643	37,029	-8,928	89,826	47,402
9 Total sources of changes	124,560	123,459	144,602	225,982	242,513

[1]Compares year-end values

5.8. Trends in real value of selected financial aggregates are presented in Table 5.5. In 2011, both broad money supply (M3) and the overall liquidity remained relatively constant at the 2010 levels. Commercial banks total credit expanded by 13.0 per cent mainly driven by credit to the private sector that increased by 4.4 per cent. The ratio of commercial banks deposit liabilities to total liabilities of the banking system increased to 79.3 per cent in 2011 up from 77.9 per cent recorded in 2010.

Table 5.5: Trends in the Real Value of Selected Financial Aggregates[1] 2007 – 2011, at constant Prices (2009)

KSh Million

	2007	**2008**	**2009**	**2010**	**2011**
1 Money Supply(M3)....	944,372	934,801	999,099	1,163,455	1,163,926
2 Overall Liquidity (L)....	1,180,019	1,132,824	1,223,454	1,435,436	1,442,188
3 Commercial bank credit to private sector	465,648	517,287	545,007	645,714	674,166
4 Total commercial bank credit	620,331	665,819	669,101	812,275	917,663
5 Commercial Banks' Deposit Liabilities	834,693	858,451	945,624	1,103,278	1,115,527
6 Total liabilities of banking system .. .	1,126,380	1,128,696	1,132,141	1,415,976	1,406,216
Memorandum Item:					
7 Line 5 as per cent of line 6 ..	74.1	76.1	83.5	77.9	79.3

[1] Deflated by average Consumer Price Indices.

Nominal and Real Interest Rates

5.9. Principal nominal interest rates for the period 2007-2011 are shown in Table 5.6. All CBK interest rates rose substantially, with average 91-day Treasury bills rate rising from 2.28 per cent in December 2010 to 17.90 per cent in December 2011. The CBR and Repo rates rose significantly to 18.00 per cent and 17.75 per cent, respectively over the review period. Similarly, the inter-bank interest rate rose from 1.18 per cent in December 2010 to 22.14 per cent in December 2011. The considerable rise in nominal interest rates over the second half

of 2011 is attributable to the raising of CBR rates. The increase in these rates aimed at raising the cost of borrowing thereby reducing domestic credit and consequently stabilise domestic prices.

Table 5.6: Principal Interest Rates, 2007 - 2011

Per cent

	2007	2008	2009	2010	2011	
					June	December
CENTRAL BANK OF KENYA						
Average Interest Rate for 91 day						
Treasury bills ..	6.87	8.59	6.82	2.28	8.95	17.90
Central Bank Rate.. ….	8.75	8.50	7.00	6.00	6.25	18.00
Repo rate.. ……..	7.13	6.36	..	..	5.73	17.75
Inter-bank rate.. ……	7.05	6.67	2.95	1.18	6.30	22.14
COMMERCIAL BANKS[1]						
Average deposits	4.32	4.89	4.84	3.59	3.68	6.99
Savings deposits	1.67	1.65	1.73	1.45	1.37	1.59
Loan and Advances	13.32	14.87	14.76	13.87	13.91	20.04
Overdraft	12.96	14.40	14.13	13.69	13.59	20.20

Source: Central Bank of Kenya.

[1]Weighted average commercial bank interest rates

5.10. In response to the high CBRs as well as hedging against inflationary effects, the commercial banks' increased their lending rates to an average of 20.04 per cent in December 2011 compared to 13.87 per cent in December 2010. Commercial banks overdraft interest rates similarly rose from an average of 13.69 per cent in December 2010 to 20.20 per cent in December 2011. However, commercial banks interest rates on customer deposits increased marginally from the 2010 position. Consequently, the interest rates spread increased by 2.77 percentage points from 10.28 per cent in December 2010 to 13.05 per cent in December, 2011.

Table 5.7: Trends in Selected Real Interest Rates[1], 2007 - 2011

Percentage

	Year	Nominal Interest	Inflation Rate	Real Interest
1 Average Interest Rate for 91-day Treasury Bills ..	2007	6.9	5.6	1.3
	2008	8.6	17.8	-9.2
	2009	6.8	8.0	-1.2
	2010	2.3	4.5	-2.2
	2011	17.9	18.9	-1.0
2 Commercial bank savings deposits (ave) .. .	2007	1.7	5.6	-3.9
	2008	1.7	17.8	-16.1
	2009	1.7	8.0	-6.3
	2010	1.5	4.5	-3.0
	2011	1.6	18.9	-17.3
3 Commercial bank loans and advances (max)	2007	13.3	5.6	7.7
	2008	14.9	17.8	-2.9
	2009	14.8	8.0	6.8
	2010	13.9	4.5	9.4
	2011	20.0	18.9	1.1
4 Inter-Bank Rate	2007	7.1	5.6	1.5
	2008	6.7	17.8	-11.1
	2009	3.0	8.0	-5.1
	2010	1.2	4.5	-3.3
	2011	22.1	18.9	3.2

[1] As at December

5.11. Trends in real interest rates are presented in Table 5.7. With the exception of the real interest rates on commercial banks maximum lending and inter-bank rates, the real interest rates remained negative despite the sharp rise in their nominal values occasioned by high inflation experienced in 2011. The real average interest rate for 91-day Treasury bills gained marginally to stand at negative 1.0 per cent in 2011. Despite the commercial banks' improved nominal value of the average interest rate on deposits, the real interest rate worsened from negative 3.0 per cent in December 2010 to negative 17.3 per cent in December 2011. Commercial banks maximum lending, real interest on Treasury bills, loans and advances remained positive in 2011 while the inter-bank real interest rates improved from negative 3.3 per cent in December 2010 to 3.2 per cent in December 2011.

Central Bank's Balance Sheet

5.12. Table 5.8 depicts the CBK balance sheet for the period 2007-2011. The assets and liabilities expanded by 14.2 per cent during the review period, to stand at KSh 449.3 billion as at end of December 2011. The increase is attributable to a 2.2 per cent growth in foreign exchange and a significant growth in other assets including Treasury bills and bonds that more than trebled as at December 2011. On the other hand, growth in liabilities was as a result of a 75.4 per cent increase in the Capital and General Reserves Fund to KSh 49.3 billion in December 2011. This growth was coupled with a 22.9 per cent increase in currency in circulation to KSh 172.2 billion in December 2011. These increases offset the reduction in deposit held by the CBK. Reduction in deposits may be explained by the offloading of foreign currencies into the money market to ease pressure on the Kenya Shilling.

Table 5.8: Central Bank of Kenya Assets and Liabilities, 2007 - 2011

KSh Million

ASSETS	2007	2008	2009	2010	2011			
					1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
1. Foreign Exchange:-								
1.1 Balances with								
External Banks	223,046	221,335	263,019	326,079	296,272	325,205	344,181	314,010
1.2 Treasury Bills ..	-	-	16,569	-	36,982	37,649	42,534	35,506
1.3 Other Investments ..	1,003	1,976	2,267	-	4,881	5,980	8,990	8,705
1.4 Special Drawing Rights	47	238	119	24,829	1,961	2,731	2,144	1,431
TOTAL	224,096	223,549	281,974	352,055	340,096	371,566	397,850	359,652
2. Advances & Disc. to Banks ..	7,247	-	-	1,280	6,124	19,873	418	-
3. Direct Advances & Overdraft								
to Kenya Government	41,877	50,082	44,496	54,881	51,388	39,232	79,074	57,280
4. Other Assets including Kenya								
Treasury Bills & Bonds	5,148	5,586	6,530	10,709	20,165	21,402	22,764	32,404
TOTAL ASSETS	278,368	279,217	333,000	393,289	417,773	452,073	500,107	449,335
LIABILITIES :								
1. Capital and General								
Reserve Fund	9,259	14,254	26,304	28,103	50,113	64,030	102,313	49,297
2. Currency in Circulation-								
2.1 Notes	112,308	111,712	119,741	135,412	135,918	144,606	149,985	169,096
2.2 Coins	3,622	4,024	4,549	4,639	6,641	3,112	3,366	3,145
TOTAL CURRENCY	115,930	115,736	124,290	140,051	142,559	147,718	153,352	172,241
3 REPO SECURITIES[1]								
3.1 OMO-repo sales	10,119	3,971	-	-	2,850	-	-	-
3.2 Repo-tap sales	-	-	-	-	-	-	-	-
TOTAL	10,119	3,971	-	-	2,850	-	-	-
Deposits								
4.1 Kenya Government	76,246	50,091	70,451	58,700	53,176	46,791	31,151	13,709
4.2 Kenya Banks[2]	40,881	47,858	57,673	75,425	70,720	77,861	90,961	91,455
4.3 External Banks	19,052	22,153	36,470	36,490	45,874	50,238	60,531	62,076
4.4 Other	5,806	11,734	12,506	20,842	10,014	10,830	10,754	13,329
TOTAL	141,985	131,836	177,100	184,347	179,783	185,720	193,396	180,569
5. Foreign Liabilities			26,585	30,578				
5. Other Liabilities	1,075	13,420	5,306	42,767	42,467	54,605	51,047	47,228
TOTAL LIABILITIES	278,368	279,217	333,000	393,289	417,773	452,073	500,107	449,335

Source: Central Bank of Kenya

[1] REPOs securities included in the breakdown from January 2001.

[2] Deposits from commercial banks excluding non-bank financial institutions (NBFIs)

Commercial Banks' credit and liquidity

5.13. Total commercial banks credit to the various sectors of the economy for the period 2007-2011 is presented in Table 5.9a. Total credit expanded by 31.1 per cent to KSh 1,193.8 billion in December 2011 up from KSh 910.6 billion in 2010. All sectors received increased credit with that to public and private sectors growing by 39.9 and 28.6 per cent, respectively. Sectors that recorded significant growth in credit include mining and quarrying (73.3 per cent), building and construction (55.7 per cent), and transport, storage and communication (45.3 per cent).

Table 5.9a: Commercial Banks - Bills, Loans and Advances[1], 2007 - 2011

KSh Million

	2007 Dec	2008 Dec	2009 Dec	2010 Dec	2011 Dec
PUBLIC SECTOR:					
Central Government	1,083	332	131	20	240
Local Government	973	1,478	2,107	-116	2,314
Enterprises, Parastatal bodies					
Other Public Entities	12,398	12,335	17,287	22,297	28,494
TOTAL PUBLIC SECTOR	**14,454**	**14,144**	**19,525**	**22,201**	**31,049**
PRIVATE ENTERPRISES:					
Agriculture	28,128	31,110	38,182	41,694	53,191
Mining and Quarrying	5,971	10,268	8,193	14,584	25,271
Manufacturing	65,103	90,224	87,876	112,222	146,197
Building and Construction	31,576	29,247	30,414	32,637	50,805
Transport, Storage and Communication ..	47,125	57,100	63,920	60,136	87,359
Wholesale and Retail trade, Hotels and Restaurants	63,703	98,038	107,784	211,518	264,227
Financial Institutions	23,649	17,634	23,817	22,807	29,919
Other Business	118,160	164,992	210,218	186,558	220,052
TOTAL PRIVATE ENTERPRISES	**383,415**	**498,613**	**570,404**	**682,155**	**877,022**
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions) .	82,957	88,000	87,972	123,586	163,801
Other Activities (Nes)	29,955	41,026	41,905	82,701	121,916
TOTAL BILLS, LOANS AND ADVANCES	**510,780**	**641,783**	**700,281**	**910,643**	**1,193,788**

Source: Central Bank of Kenya.

[1]Excludes portfolio investment by private enterprises and bank deposits placed with non-bank financial institutions.

5.14. Table 5.9b presents the percentage share of commercial banks credit by various sectors. The bulk of the credit was mainly advanced to wholesale and retail trade, hotels and restaurants industry, which received a share of 22.1 per cent in 2011. The proportions of credits to other business, private households and manufacturing were 18.4, 13.7 and 12.2 per cent, respectively. Share of commercial banks credit to public sector grew by 2.6 per cent as at December 2011.

Table 5.9b: Commercial Banks - Bills, Loans and Advances Sector Shares[1], 2007 - 2011

Percentages

	2007 Dec	2008 Dec	2009 Dec	2010 Dec	2011 Dec
PUBLIC SECTOR:					
Central Government	0.2	0.1	0.0	0.0	0.0
Local Government	0.2	0.2	0.3	0.0	0.2
Enterprises, Parastatal bodies and other					
Public entities	2.4	1.9	2.5	2.4	2.4
TOTAL PUBLIC SECTOR	**2.8**	**2.2**	**2.8**	**2.4**	**2.6**
PRIVATE ENTERPRISES:					
Agriculture	5.5	4.8	5.5	4.6	4.5
Mining and Quarrying	1.2	1.6	1.2	1.6	2.1
Manufacturing	12.7	14.1	12.5	12.3	12.2
Building and Construction	6.2	4.6	4.3	3.6	4.3
Transport, Storage and Communication ..	9.2	8.9	9.1	6.6	7.3
Wholesale and retail trade, hotels and restaurants	12.5	15.3	15.4	23.2	22.1
Financial Institutions	4.6	2.7	3.4	2.5	2.5
Other Business[2]	23.1	25.7	30.0	20.5	18.4
TOTAL PRIVATE ENTERPRISES	**75.1**	**77.7**	**81.5**	**74.9**	**73.5**
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions) .	16.2	13.7	12.6	13.6	13.7
Other Activities (Nes)	5.9	6.4	6.0	9.1	10.2
TOTAL BILLS, LOANS AND ADVANCES	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Kenya.

[1] Excludes portfolio investment by private enterprises and bank deposits

[2] Includes business services, real estate and other activities

5.15. Commercial banks' deposit liabilities and liquid assets are presented in Table 5.10. In 2011, deposit liabilities grew by 47.1 per cent to stand at KSh 1,451.2 billion. This can be explained by innovations in the banking system such as agency and mobile banking that considerably increased the coverage of banking services. The values of liquid assets rose by 28.3 per cent to KSh 548.3 billion mainly as a result of increased cash in the bank tills and demand deposits. Overall liquidity ratio declined to 37.8 per cent in December 2011 compared from 43.3 per cent recorded in December 2010. This decline was as a result of revisions in the statutory cash ratio requirements as well as the rise in the CBK interest rates.

Table 5.10: Commercial Banks - Deposit Liabilities and Liquid Assets[1], 2007 - 2011

As at end of		Deposit Liabilities KSh Million	Liquid Assets[2] KSh Million	Overall Liquidity Ratio[3] per cent
2007	December	687,286	284,281	41.4
2008	December	827,461	324,997	39.3
2009	December	989,690	396,671	40.1
2010	December	986,668	427,471	43.3
2011	January	1,228,692	545,976	44.4
	February	1,255,815	553,784	44.1
	March ..	1,281,329	563,070	43.9
	April	1,287,741	538,506	41.8
	May	1,292,275	511,967	39.6
	June	1,341,043	514,453	38.4
	July	1,351,435	512,650	37.9
	August	1,383,481	525,899	38.0
	September.. ..	1,430,690	537,187	37.5
	October	1,451,377	534,326	36.8
	November	1,433,304	530,696	37.0
	December	1,451,189	548,300	37.8

Source: Central Bank of Kenya.

[1] Deposits and Liquid Assets are calculated as an average of three days balances.

[2] Includes notes and coins, balances at Central Bank, net inter-bank balances in Kenya and Overseas (included only if positive) and Treasury Bills.

[3] The ratios given in this column are not consistent with figures in the other two columns because of the inclusion of certain other minor items in the

Capital Market Indicators

5.16. Kenya's capital markets indicators registered mixed performance in 2011 as presented in Table 5.11. Both primary and secondary markets performance registered declines. In 2011, one Initial Public Offer (IPO) was issued by British American Insurance Company with a 60.0 per cent subscription which managed to raise KSh.3.5 billion. The Nairobi Stock Exchange (NSE) 12-month market turnover decreased by 28.2 per cent from KSh 110.0 billion in 2010 to KSh 79.0 billion in 2011 while NSE 20-Share Index dropped by 27.7 per cent to 3,205 points in December 2011. Market capitalization as at the end of 2011 dropped by 25.6 per cent to stand at KSh 868 billion. The total number of shares traded in the year dropped by 24.0 per cent to 5.7 billion shares.

5.17. The bonds market registered lower performance in 2011 with bond turnover declining by 6.9 per cent from KSh 479.0 billion to KSh 446.0 billion. There was only one issue in the primary corporate bonds market that raised KSh 2.5 billion in 2011 compared to eight corporate bonds issued in 2010 worth of KSh 40 billion in total. Similarly, the activity in the Treasury bonds primary market reduced, with KSh 134.8 billion raised during the year, compared to KSh 181.5 billion raised in 2010. The secondary corporate bonds market registered a decline in performance from KSh 12.5 billion in 2010 to KSh 8.5 billion in 2011.

Table 5.11: Gross Secondary Market Statistics, 2007 - 2011

	2007	2008	2009	2010	2011				
	Dec	Dec	Dec	Dec	1st Qr	2nd Qr	3rd Qr	4th Qr	Total
Equities Market									
Total No. of Shares (million)	1,938	5,857	3,169	7,546	1,529	1,318	1,568	1,306	5,721
Total No. of Deals	973,548	121,769	134,885	127,379	123,789	105,317	62,809	63,823	355,738
Total Value of Shares (KSh bn)	89	98	38	110	24	25	19	12	79
NSE 20 Share Index (Base Jan 1966=100)	5,445	3,521	3,247	4,433	3,887	3,968	3,284	3,205	
Market Capitalization (KSh bn)	851	854	834	1,167	1,090	1,121	885	868	
Fixed Income Securities Market									
Total bond Turnover (KSh bn)	85	95	111	479	109	137	114	86	446
Capital Markets, Licensed/approved Institutions									
Securities Exchange (NSE)	1	1	1	1					1
Central Depositories (CDSC)	1	1	1	1					1
Investment Banks	17	17	19	19					11
Stockbrokers	8	8	7	5					10
Investment advisers	20	20	23	21					18
Fund Managers	16	16	16	20					19
Collective Investment Schemes	11	11	11	13					16
Authorized depositories/Custodians	11	11	12	17					14
Credit Rating Agencies	1	1	1	1					2
Venture Capital Companies	1	1	1	1					1
Dealer	0	0	0	12					7

Source: Capital Markets Authority and Nairobi Stock Exchange

Performance of the Insurance and Pensions Sub-sectors

5.18. Assets in the insurance sub-sector grew by 4.3 per cent to stand at KSh 233.2 billion as at December 2011, while investments by the insurance companies grew by 2.1 per cent to KSh 181.2 billion. Net premiums increased by 33.1 per cent to KSh 85.4 billion while claims incurred in general business category grew by 30.0 per cent to KSh 28.1 billion.

5.19. During the period under review, the retirement benefits industry exhibited slow growth mainly due to the poor performance of the NSE. This was further exacerbated by the economic turmoil in the global financial markets coupled with high domestic interest rates. The value of the pension funds was thus adversely affected especially quoted equities and the existing bond holdings. The total pension industry assets grew by 4.4 per cent over the first half of 2011 to stand at KSh 470.6 billion by 30th June 2011. This amount comprised of KSh 326.9 billion held by fund managers, KSh 113.5 billion held by the National Social Security Fund (NSSF) and an additional KSh 30.2 billion of property investments held by schemes though not under the control of the fund managers.

Developments in the Financial Sector

Banking Sector

5.20. During 2011, the sector comprised 43 commercial banks, one mortgage finance company, six deposit taking microfinance institutions, four representative offices of foreign banks, 118 foreign exchange bureaus and two Credit Reference Bureaus (CRBs). Kenya's banking sector's assets, and loans and advances stood at KSh 1.8 trillion and KSh. 1.2 trillion, respectively in 2011, while the value of deposit liabilities was KSh 1.5 trillion. Over the same period, the number of bank deposit accounts stood at 13.7 million with total number of branches reaching 1,114.

Credit Reference Bureaus and Agency Banking

5.21. In 2011, there was increased uptake of credit information sharing which was launched in July 2010. The number of credit reports grew significantly to stand at 1,306,439 as at December 2011. Currently, only CRB Africa and Metropol Ltd are licensed to operate as CRBs. As at end of December 2011, only 8 out of 10 banks authorized to offer agency banking services have commenced operations with a total of 10,447 agents appointed.

Insurance Sub-sector

5.22. In 2011, there were 43 registered insurance companies operating in Kenya. The Insurance Regulatory Authority (IRA) in partnership with the Commissioner of Police established the Insurance Fraud Investigation Unit whose objective is to investigate and prosecute cases of fraud in the insurance sector. In addition, the Authority also licenced the first "Sharia" compliant insurance company (*Takaful*) mainly targeting customers of Islamic faith.

5.23. In compliance with new policy of separating general and life insurance, Co-operative Insurance Company (CIC) demerged to form CIC Life Insurance Company and CIC General Insurance Company. Similarly, Insurance Company of East Africa (ICEA) and Lion of Kenya Insurance Company merged their general insurance business to form ICEA Lion Life and ICEA Lion General under the holding company ICEA Lion Group.

Pensions Sub-sector

5.24. The Retirement Benefits Authority (RBA) in its efforts to enhance development of the pensions industry put in place various initiatives aimed at widening the pension services coverage and improvement of pension scheme governance. These include the BLUE SME Jua Kali Individual Retirement Benefit Scheme (*Mbao Pension Plan*), the Trustee Trainee Programme and the Risk Based Supervision.

5.25. In cognizance of the risks posed by financing of terrorism, the Central Bank issued a guidance note in September 2011 to the banking sector. The note complements the on-going efforts by the Government to enhance Kenya's Anti-Money Laundering and Financing of Terrorism legal and regulatory framework. Since the issuance of the note, five cases of suspected terrorism financing related activities have been reported by financial institutions.

Chapter 6

Public Finance

Overview

Public spending in the 2011/12 financial year was guided by a fiscal consolidation policy that was primarily intended to complement the contractionary monetary policy adopted to counter the rising inflation. This fiscal stance envisaged a conscious effort by the Government to spend within its means and thereby contain the fiscal deficit, while at the same time ensuring that public debt remains sustainable in both the medium and long terms. Consequently, the Government has been undertaking measures aimed at strengthening revenue mobilization efforts, containing unproductive expenditures and leakages, while making sufficient provisions for the ongoing economic activities as well as implementing the new Constitution. In spite of the stringent measures, public spending in areas such as drought mitigation, initiatives aimed at cushioning the public from the escalating prices of essential commodities and the ongoing war in Somalia, are some of the financing needs exerting pressure on spending priorities in the current financial year and thereby increase the demand to borrow from the domestic market.

6.2. **Overall Fiscal Results:** The Government proposed to spend KSh 1,165.5 billion in 2011/12 compared to KSh 922.6 billion spent in 2010/11, representing an increase of 26.3 per cent. Total revenue is expected to improve from KSh 665.5 billion in 2010/11 to KSh 766.2 billion in 2011/12. Total outstanding public debt grew by 22.2 per cent from KSh 1,082.7 billion as at the end of June 2010 to KSh 1,322.6 billion as at the end of June 2011. Local Authorities spending is anticipated to increase from KSh 33.3 billion in 2010/11 to KSh 38.5 billion in 2011/12. Similarly, revenue is expected to increase by 28.0 per cent from KSh 18.9 billion in 2010/11 to KSh 24.2 billion in 2011/12. A total of KSh 17.3 billion is expected to be transferred through the Local Authority Transfer Fund (LATF) mechanism in 2011/12, compared to KSh 12.3 billion transferred in 2010/11.

Central Government

6.3. Table 6.1 presents a statement of Central Government operations for the period between 2007/08 and 2011/12. Net lending /borrowing is expected to worsen from KSh 133.2 billion in 2010/11 to KSh 300.4 billion mainly due to constrained growth of expected revenue. Similarly, financing is expected to decline by 4.5 per cent due to unfavourable financial environment that has greatly hampered the uptake of government securities. Net incurrence of liabilities is expected to reduce from KSh 143.6 billion in 2010/11 to KSh 137.3 billion in 2011/12 due to a 17.3 per cent decline in foreign borrowing.

Table 6.1: Statement of Central Government Operations 2007/08 - 2011/12

KSh Million

	2007/08	2008/09	2009/10	2010/11*	2011/12+
1. Revenue[1]	468,243.64	498,895.43	574,135.08	665,462.33	766,176.03
2. Expense (2.1+2.2)	448,762.00	492,669.29	574,253.05	673,215.58	909,911.31
2.1 Current Expenditure	417,381.29	465,970.29	525,671.23	621,493.97	740,975.00
2.2 Capital Transfers	31,380.71	26,699.00	48,581.82	51,721.61	168,936.31
3. Gross Operating Balance(G.O.B) (1-2)	**19,481.64**	**6,226.14**	**-117.97**	**-7,753.25**	**- 143,735.28**
4. Acquisition of Non-Financial Assets(net)	74,386.08	113,198.20	114,823.72	125,401.14	156,649.39
5. Net lending/Borrowing (3-4)	**-54,904.44**	**-106,972.06**	**-114,941.70**	**-133,154.39**	**-300,384.67**
FINANCING (6+7)	38,677.74	83,422.48	168,285.09	149,882.47	143,113.24
6. Net Acquisition of financial assets (6.1+6.2)	46,244.04	-9,126.79	5,659.95	6,316.06	5,795.56
6.1. Domestic	-46,244.04	-9,126.79	5,659.95	6,316.06	5,795.56
6.2. Foreign	-	-	-	-	-
7. Net Incurrence of liabilities (7.1+7.2)	-7,566.30	92,549.27	162,625.14	143,566.42	137,317.68
7.1. Domestic	-3,860.66	69,427.27	151,479.26	92,498.00	95,074.55
7.2. Foreign	6,325.00	23,122.00	11,145.88	51,068.42	42,243.13
MEMORANDUM ITEMS:					
8. Public debt Redemption	92,269.42	75,361.36	91,714.97	124,543.70	89,225.51
8.1. External	16,833.59	17,374.48	18,134.06	24,351.11	25,785.46
8.2. Internal	75,435.83	57,986.88	73,580.91	100,192.59	63,440.05

Source: Kenya National Bureau of Statistics and Ministry of Finance

* Provisional

+Revised estimates

[1] includes grants

Acquisition of Non financial assets(net) = Acquisition of Non financial assets - Gross Disposal of Non financial assets

6.4. Table 6.2 presents an analysis of key fiscal ratios for the period 2007/08 to 2011/12. Gross operating balance as a percentage of revenue is expected to worsen from negative 1.2 per cent in 2010/11 to negative 18.8 per cent in 2011/12 owing to a faster growth of expenditure in relation to revenue. Analogously, net borrowing as a percentage of revenue is expected to deteriorate from negative 20.0 per cent in 2010/11 to negative 39.2 per cent in 2011/12. Total Government expenditure as a percentage of GDP is anticipated to remain on an increasing trend to stand at 41.8 per cent in 2011/12. Net borrowing as a percentage of GDP is estimated to worsen from negative 5.4 per cent in 2010/11 to negative 10.8 per cent in 2011/12.

Table 6.2: Analysis of Key Fiscal Ratios, 2007/08-2011/12

	2007/08	2008/09	2009/10	2010/11*	2011/12+
Gross operating balance as a % of Revenue	4.5	7.2	0.0	-1.2	-18.8
Gross operating balance as a % of Acquisition of Non financial assets(net)	27.2	33.9	-0.1	-6.2	-91.8
Ratio of Acquisition of Non financial assets(net) to Current Expenditure	18.5	24.3	21.8	20.2	21.1
Net lending/Borrowing as % of Revenue	-12.0	-14.1	-20.0	-20.0	-39.2
Net lending/Borrowing as % of Total Expenditure	-8.5	-10.8	-14.6	-14.4	-25.8
External Grants and Loans as % of Acquisition of Non financial assets(net)	64.4	46.4	36.9	63.5	33.7
Net Short-Term Borrowing as % of Acquisition of nonfinancial assets(net)	-57.1	25.4	55.3	-36.2	14.4
Revenue as % of GDP at Current Market Prices	25.6	47.3	25.7	27.1	27.5
Total Government Expenditure as % of GDP at Current Market Prices	36.3	65.9	35.3	37.5	41.8
Net lending/Borrowing as % of GDP at Current Market Prices	-3.2	-10.2	-5.1	-5.4	-10.8

* Provisional

+ Revised Estimates

6.5. Absorption of budgeted public funds, especially the development component, has continued to remain low despite concerted efforts to reverse the trend. Table 6.3 compares the budgeted estimates with the actual out-turns of revenue and expenditure for the fiscal period 2008/09 to 2010/11, and with revised proposed spending in 2011/12. In 2010/11, absorption of development expenditure deteriorated from a difference of KSh 67.5 billion in 2009/10 to KSh 90.6 billion in 2010/11. The disparities between the budgeted funds and the actual out-turns are attributable to poor procurement planning for government funded projects and low absorption of development project funds as a consequence of delayed authorization to spend from donors.

Table 6.3: Comparison of Central Government Budget Estimates with Actual Out-turns, 2008/09-2011/12

KSh Million

	2008/09			2009/10		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	516,627.50	488,934.45	-27,693.05	569,508.30	542,945.06	-26,563.24
Recurrent Expenditure++	563,589.32	533,452.37	-30,136.95	633,895.52	603,831.54	-30,063.98
Recurrent Balance	-46,961.82	-44,517.92	2,443.90	-32,707.72	-60,886.48	-28,178.77
Development Expenditure	207,509.67	160,712.99	-46,796.68	253,067.33	185,529.08	-67,538.25
External Financing (Net)[1]	59,013.50	59,208.00	194.50	43,031.01	42,335.90	-695.11
Balance for Domestic Financing (Net)	-195,457.99	-146,022.91	49,435.08	-264,146.77	-204,079.66	38,664.38
	2010/11*			2011/12+		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	651,494.67	643,584.37	-7,910.29	752,214.18	755,591.26	3,377.09
Recurrent Expenditure++	691,563.49	706,450.19	14,886.70	753,443.75	787,918.09	34,474.34
Recurrent Balance	-40,068.82	-62,865.82	-22,797.00	-1,229.58	-32,326.82	-31,097.25
Development Expenditure	306,692.37	216,113.29	-90,579.09	399,862.53	377,614.05	-22,248.49
External Financing (Net)[1]	123,107.62	72,946.38	-50,161.24	52,827.90	52,827.90	0.00
Balance for Domestic Financing (Net)	-223,653.58	-206,032.72	17,620.86	-348,264.21	-357,112.97	-8,848.76

Source: Ministy of Finance

* Provisional.

[1] Includes external grants.

\+ Revised budget estimates

++ Recurrent expenditure consists of current expenditure , Acquisition of Non financial assets(net) and Consolidated Fund Services from the Recurrent- Estimates

6.6. Table 6.4 shows the gross Central Government receipts on the recurrent account for the financial years 2007/08 to 2011/12. Kenya Revenue Authority (KRA) has been undertaking initiatives aimed at strengthening and expanding the revenue collection base coupled with tax policy reforms in an effort to match the growing budget requirements This is evidenced by the expected growth of recurrent revenue from KSh 643.6 billion in 2010/11 to KSh 755.6 billion in 2011/12. Despite the increase in absolute terms, total tax revenue is expected to record a decelerated growth of 16.3 per cent to stand at KSh 719.9 billion in 2011/12. This is largely attributable to VAT withholding challenges, oil supply constraints that weakened tax collection and reduced mobile telephony earnings as a result of stiff competition among mobile operators. Non-tax revenue is expected to grow substantially by 49.9 per cent as a consequence of deliberate effort by the government to re-route previously own generated revenues to the exchequer account.

Table 6.4: Central Government Gross Receipts on Recurrent Account, 2007/08-2011/12

KSh million

	2007/08	2008/09	2009/10	2010/11*	2011/12+
Taxes on income, Profits and Capital gains	**165,078.00**	**194,154.50**	**219,496.84**	**261,781.27**	**306,940.57**
Income Tax from individuals (P.A.Y.E)	85,953.00	110,164.81	121,524.51	139,285.71	160,622.48
Income Tax from corporations (other income tax)	79,125.00	83,989.69	97,972.33	122,495.56	146,318.09
Taxes on property	**331.90**	**327.52**	**269.37**	**341.63**	**433.61**
Immovable property	61.90	62.92	86.12	113.63	149.94
Financial and capital transactions	270.00	264.60	183.25	228.00	283.67
VAT	**111,904.51**	**126,854.07**	**141,970.70**	**174,359.90**	**205,329.11**
VAT on domestic goods and services	58,277.00	66,216.49	78,859.16	94,627.02	111,122.65
VAT on imported goods and services	53,627.51	60,637.58	63,111.53	79,732.88	94,206.47
Taxes on other goods and services	**80,736.09**	**93,051.89**	**99,335.01**	**108,555.41**	**120,083.49**
Excise taxes	61,905.51	69,872.12	74,112.08	83,807.61	93,262.72
Taxes on use of goods and on permission to use the goods or to perform services and activities	70.00	81.99	193.43	192.60	191.77
Royalties	187.80	113.00	33.20	0.00	0.00
Taxes on goods and services collected as AIA	18,505.00	22,984.78	24,996.31	24,555.20	26,629.00
Other taxes on goods and services	67.78	0.00	0.00	0.00	0.00
Taxes on international Trade Transactions	**45,857.77**	**49,094.03**	**57,205.80**	**67,053.89**	**79,082.62**
Custom duties	32,944.35	36,180.60	41,271.12	47,386.65	55,569.26
Other taxes on international trade and transactions	12,913.42	12,913.42	15,934.69	19,667.24	23,513.37
Other taxes not elsewhere classified	4,536.39	4,669.69	5,355.62	6,858.51	8,024.46
Total tax Revenue	**408,444.66**	**468,151.70**	**523,633.34**	**618,950.61**	**719,893.87**
Social security contributions	1,062.00	0.00	341.05	110.23	500.00
Property income	5,004.26	9,545.30	9,844.04	15,786.91	15,613.54
Sale of goods and services	18,749.93	2,313.18	1,848.20	1,687.25	11,198.24
Fines penalties and forfeitures	158.52	140.00	229.41	222.90	257.05
Repayments from domestic lending and on-lending	708.56	679.25	571.48	926.11	1,325.30
Other receipts not elsewhere classified	7,402.17	8,105.01	6,477.55	5,900.35	6,803.26
Total non-tax revenue	**33,085.44**	**20,782.75**	**19,311.72**	**24,633.76**	**35,697.39**
TOTAL	**441,530.10**	**488,934.45**	**542,945.06**	**643,584.37**	**755,591.26**

Source: Ministry of Finance

* Provisional

\+ Revised Estimates

6.7. Details of import duty collections for selected commodities are provided in Table 6.5. Overall, import duty derived from these merchandise grew by 19.0 per cent from KSh 38.9 billion in 2010 to KSh 46.3 billion in 2011. Import duty obtained from transport equipment; food, drinks and tobacco; and basic materials categories recorded decelerated growths of 2.8, 2.3 and 1.2 per cent, respectively, in 2011. This was mainly due to a weakened Kenya Shilling that made imports expensive. Categories that recorded notable growths in import duties include semi-manufactures, machinery and metals.

Table 6.5: Central Government Import Duty Collections for Selected Items[1], 2007 - 2011[2]

KSh million

END-USE CATEGORY	2007	2008	2009	2010	2011*
Food, drinks and tobacco	5,544.30	5,408.49	6,790.61	7,994.73	8,179.12
Basic materials	1,552.55	1,818.21	2,087.37	2,341.22	2,369.59
Fuels	523.65	694.34	659.25	807.75	967.30
Chemicals	1,062.84	1,283.50	1,446.79	1,936.18	2,360.59
Textiles	874.87	851.66	979.19	1,268.64	1,508.64
Semi-manufactures	1,783.89	1,882.74	3,469.81	3,044.92	6,187.93
Metals	2,105.84	1,972.63	1,875.53	2,226.71	3,390.43
Transport Equipment	7,009.68	7,904.23	8,622.63	9,854.53	10,134.55
Machinery	3,984.28	4,261.83	4,417.04	4,845.40	6,401.12
Miscellaneous commodities	3,172.18	3,283.60	3,379.97	4,553.33	4,822.31
TOTAL	**27,614.07**	**29,361.24**	**33,728.19**	**38,873.41**	**46,321.58**

Source: Kenya Revenue Authority

* Provisional

[1] Excludes non-metallic mineral manufactures

[2] Data presented in this table refers to calender years

6.8. Table 6.6 depicts excise revenue by commodities for the period between 2007 and 2011. Excise revenue recorded a decelerated growth of 4.7 per cent to KSh 27.7 billion, in 2011. This could be attributed to continued implementation of Alcoholic Drinks Control Act and changes in the taxation of cigarettes in the Finance Act 2010. In particular, excise revenue from beer declined by 1.7 per cent, while the growth of excise revenue from cigarettes recorded a slower growth of 4.1 per cent in 2011 compared to a rise of 12.2 per cent in 2010.

Table 6.6: Central Government Excise Revenue by Commodities[1], 2007 - 2011

KSh million

	2007	2008	2009	2010	2011*
Beer	11,266.54	11,091.33	13,756.56	14,701.54	14,456.04
Wines and Spirits	568.15	1,045.79	1,567.76	2,163.38	2,837.84
Mineral Water	1,131.26	1,579.17	1,324.75	1,285.19	1,639.95
Cigarettes	6,524.90	6,582.55	6,526.75	7,324.45	7,626.79
Other commodities[1]	205.94	1,798.37	557.51	954.52	1,101.27
TOTAL	19,696.79	22,097.21	23,733.33	26,429.10	27,661.89

Source: Kenya Revenue Authority

* Provisional

[1] Includes revenue from Jewellery, cosmetics and locally assembled vehicles

6.9. Table 6.7 presents data on Central Government financing of acquisition of non-financial assets for the fiscal period between 2007/08 and 2011/12. Expenditure on non-financial assets is expected to grow by 24.9 per cent from KSh 125.4 billion in 2010/11 to KSh 156.6 billion in 2011/12. Nonetheless, total financing declined by 10.6 per cent from KSh 165.4 billion in 2010/11 to KSh 147.9 billion in 2011/12 largely as a result of under subscription of Treasury bills and Treasury bonds in the auction market.

Table 6.7: Central Government Financing of Non Financial Assets, 2007/08 - 2011/12

KSh Million

	2007/08	2008/09	2009/10	2010/11*	2011/12+
EXPENDITURE:					
Acquisition of Non financial Assets(net)	74,386.08	113,198.20	114,823.72	125,401.14	156,649.39
TOTAL	**74,386.08**	**113,198.20**	**114,823.72**	**125,401.14**	**156,649.39**
FINANCING:	29,178.88	121,924.64	193,815.16	165,444.38	147,902.45
External Loans	6,326.00	23,122.00	11,145.88	51,068.42	42,243.13
External Grants	26,713.54	29,375.37	31,190.02	21,877.96	10,584.77
Long-Term Domestic Borrowing (Net)	40,263.72	40,668.60	87,946.79	137,904.90	72,519.52
SHORT TERM BORROWING:	-44,124.38	28,758.66	63,532.47	-45,406.90	22,555.03
Treasury Bills (Net)	-18,208.88	37,301.62	39,274.08	-30,875.45	4,832.27
Other Short-Term Borrowing (Net)	-25,915.50	-8,542.95	24,258.39	-14,531.45	17,722.76
CHANGE IN CASH BALANCES[1]: Increase=(-)	45,207.19	-8,726.44	-78,991.44	-40,043.24	8,746.94
TOTAL	**74,386.08**	**113,198.20**	**114,823.72**	**125,401.14**	**156,649.39**

Source: Central Bank of Kenya and Ministry of Finance

* Provisional.

+ Revised budget estimates

[1] Balancing Item

6.10. Classification of expenditure by functions of Government for the financial years 2008/09 to 2011/12 is presented in Table 6.8. In 2011/12, total government outlays are expected to increase to KSh 1,165.5 billion from KSh 922.6 billion in 2010/11. The estimated increase will mainly be as a result of accelerated spending in the key enablers of Vision 2030 such as security, infrastructure, Information Communication Technology (ICT) as well as social services. Expenditure on public order and safety, transport, fuel and energy, communication, health and education are expected to expand substantially compared to the appropriations in 2010/11.

6.11. Investment in human capital as represented by fiscal spending in health and education services as well as economic affairs that entails investment in the various crucial economic sectors have been growing steadily over the years (see Figure 6.1). In the social services category, the government has continued to fund Universal Primary Education (UPE) and the Free Tuition Secondary Education (FTSE). On economic affairs, the government continued to invest in key infrastructure such as road and clean energy in order to deal with challenges of climate change. Others investments include power generation capacity, development of the Lamu port and modernization of the Mombasa port, as evidenced by the marked expected increases in funding of these sub-sectors.

Figure 6.1: Fiscal Spending in Social services and Economic Affairs, 2002/03 to 2011/12

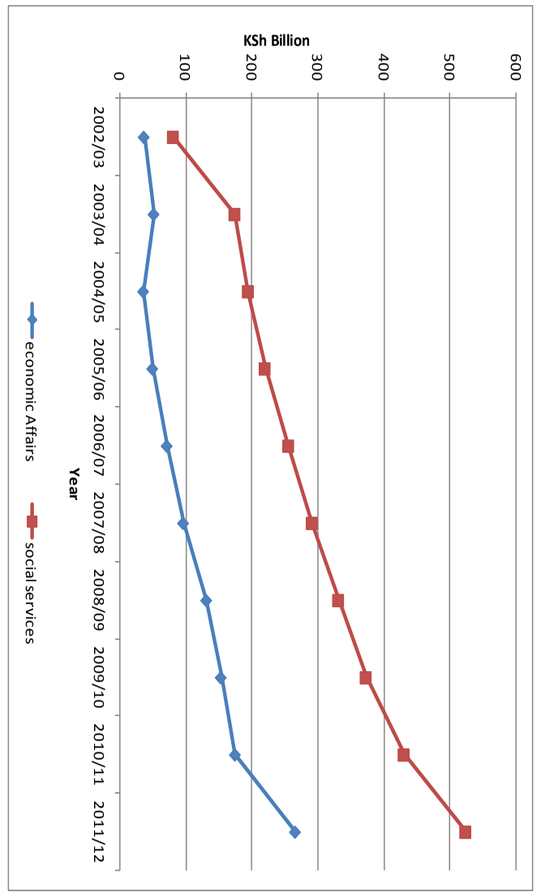


Table 6.8: Classification of Government Expenditures by Functions of Government (COFOG), 2008/09-2011/12

KSh million

	2008/09			2009/10			2010/11*			2011/12+		
	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total
General public services .	**44,267.67**	**30,527.45**	**74,795.11**	**67,131.23**	**38,017.80**	**105,149.03**	**80,316.90**	**39,743.23**	**120,060.13**	**85,632.33**	**76,679.11**	**162,311.44**
Public debt transactions	125,925.84	0.00	125,925.84	147,501.39	0.00	147,501.39	186,530.88	0.00	186,530.88	174,690.74	0.00	174,690.74
Transfers of general character betw. levels of govt	9,999.01	0.00	9,999.01	10,999.88	0.00	10,999.88	12,548.66	0.00	12,548.66	17,891.62	0.00	17,891.62
Defense	41,183.21	0.00	41,183.21	51,072.47	2,591.41	53,663.88	51,519.66	754.41	52,274.06	67,038.05	1,612.10	68,650.15
Public order and safety	55,684.55	4,931.93	60,616.49	55,032.16	4,913.68	59,945.85	66,920.47	5,205.85	72,126.32	84,930.93	8,814.10	93,745.03
Economic affairs	**47,926.47**	**83,412.44**	**131,338.91**	**60,726.39**	**92,663.77**	**153,390.16**	**61,817.29**	**113,092.91**	**174,910.19**	**74,718.40**	**191,378.25**	**266,096.64**
General economic, commercial & labour affairs	4,967.25	2,032.72	6,999.96	9,498.60	3,845.53	13,344.14	9,431.54	11,035.77	20,467.32	15,203.53	7,876.77	23,080.30
Agriculture, forestry, fishing, and hunting	12,795.46	11,081.30	23,876.75	20,333.07	12,405.81	32,738.88	17,162.19	18,751.65	35,913.85	18,786.74	25,829.78	44,616.52
Fuel and energy	629.93	30,872.76	31,502.69	379.94	29,551.59	29,931.53	1,935.35	22,897.31	24,832.67	2,337.47	54,328.61	56,666.08
Mining, manufacturing, and construction	715.00	54.64	769.63	200.24	163.91	364.15	187.57	79.01	266.57	200.91	273.00	473.91
Transport	21,033.95	36,718.16	57,752.10	21,252.98	35,609.88	56,862.86	23,289.62	47,996.73	71,286.35	27,704.80	82,195.88	109,900.68
Communication	40.17	162.70	202.86	347.91	1,118.72	1,466.63	339.21	218.73	557.93	391.65	4,585.50	4,977.15
Other industries	7,744.72	2,490.18	10,234.90	8,713.65	9,968.34	18,681.99	9,471.81	12,113.70	21,585.51	10,093.29	16,288.71	26,382.01
Environmental protection	2,684.35	2,899.62	5,583.97	2,586.76	3,016.35	5,603.11	2,960.53	5,168.00	8,128.53	3,257.26	8,369.81	11,627.06
Housing and community amenities	4,645.32	14,178.25	18,823.57	5,781.22	13,984.28	19,765.51	7,014.43	19,135.77	26,150.20	6,680.22	27,915.74	34,595.96
Health	**26,735.23**	**5,445.94**	**32,181.17**	**28,475.13**	**8,878.29**	**37,353.42**	**34,203.80**	**13,654.26**	**47,858.05**	**41,214.31**	**27,917.17**	**69,131.48**
Outpatient services	2,051.30	203.24	2,254.54	4,751.71	3,235.44	7,987.15	6,509.39	5,348.99	11,858.38	8,338.50	10,200.83	18,539.33
Hospital services	20,394.90	1,730.23	22,125.13	20,580.05	3,514.33	24,094.38	20,995.56	2,839.65	23,835.21	25,644.56	3,388.62	29,033.18
Public health services	1,650.83	3,494.33	5,145.16	1,430.66	1,931.82	3,362.48	2,697.35	2,069.48	4,766.84	3,334.87	10,653.53	13,988.41
Health expenditure not elsewhere classified	2,638.21	18.14	2,656.34	1,712.72	196.70	1,909.41	4,001.50	3,396.13	7,397.62	3,896.38	3,674.19	7,570.57
Recreation, culture and religion	3,330.75	1,763.81	5,094.55	2,771.61	495.96	3,267.58	2,648.08	1,326.54	3,974.62	3,223.22	1,508.01	4,731.24
Education	**132,353.36**	**12,085.79**	**144,439.15**	**142,234.82**	**17,105.10**	**159,339.92**	**170,891.35**	**15,405.08**	**186,296.43**	**192,949.16**	**28,163.79**	**221,112.95**
Administration	83,674.32	1,707.75	85,382.07	97,918.10	11,947.26	109,865.35	102,066.15	4,670.95	106,737.10	123,787.87	15,111.36	138,899.23
Pre-primary and primary education	7,116.78	5,795.77	12,912.55	7,586.64	244.45	7,831.09	8,750.80	325.75	9,076.55	8,727.03	373.77	9,100.79
Secondary education	900.20	0.00	900.20	1,230.50	164.03	1,394.53	18,031.82	1,539.85	19,571.66	18,055.64	2,952.50	21,008.14
Tertiary education	34,028.02	4,401.48	38,429.50	34,289.44	2,916.74	37,206.19	35,275.19	2,813.38	38,088.57	40,316.06	8,530.64	48,846.70
Education expenditure not elsewhere classified	6,634.04	180.78	6,814.83	1,210.14	1,832.62	3,042.77	6,767.39	6,055.17	12,822.55	2,062.57	1,195.52	3,258.09
Social protection	38,716.61	5,467.78	44,184.39	29,518.47	3,862.42	33,380.89	29,078.15	2,627.25	31,705.40	35,691.84	5,255.97	40,947.81
TOTAL OUTLAYS[1]	**533,452.37**	**160,712.99**	**694,165.37**	**603,831.54**	**185,529.08**	**789,360.62**	**706,450.19**	**216,113.29**	**922,563.48**	**787,918.09**	**377,614.05**	**1,165,532.13**

Source: Ministry of Finance

* Provisional

\+ Revised estimates

[1]Total in this Table vary with that in Table 6.9 by Disposal of Non financial Assets

6.12. Economic classification of Central Government expenditure for the fiscal period between 2007/08 and 2011/12 is presented in Table 6.9. Expenditure on compensation of employees is expected to increase from KSh 232.0 billion in 2010/11 to KSh 270.7 billion in 2011/12. This is mainly due to remuneration of the new constitutional offices as well as the year on year increments. Expenditure on use of goods and services is expected to grow by 25.6 per cent to KSh 143.2 billion, in 2011/12. Current grants to general government units are expected to increase by 23.3 per cent to KSh 195.5 billion in 2011, while expenditure on capital grants is estimated to more than triple in the period under review. This expense mainly comprises of transfers to Semi-Autonomous Government Agencies (SAGAs) engaged in execution of government projects and programmes as well as transfers to institutions of higher learning. In contrast, expenditure on debt redemption is expected to decline from KSh 124.5 billion in 2010/11 to KSh 89.2 billion in 2011/12.

Table 6.9: Central Government Economic Analysis of Expenditure, 2007/08 -2011/12

KSh Million

	2007/08	2008/09	2009/10	2010/11*	2011/12+
EXPENSE					
Consumption expenditure on goods and services:					
Compensation of employees	167,746.20	182,455.53	222,272.99	232,038.44	270,727.19
Use of Goods and Services	89,440.44	100,048.49	82,785.31	114,055.13	143,199.97
Total	**257,186.64**	**282,504.02**	**305,058.30**	**346,093.57**	**413,927.16**
Subsidies	34.17	71.70	93.98	85.68	98.40
Interest:	49,852.67	50,564.49	55,786.42	67,281.10	84,055.68
Domestic	42,854.44	44,067.81	49,603.30	59,011.44	76,558.23
Foreign	6,998.23	6,496.68	6,183.12	8,269.66	7,497.45
Current Grants to:					
International organisations	1,234.72	1,122.71	1,941.76	1,918.38	1,862.51
General Government units	78,797.14	98,128.92	125,746.51	158,799.51	195,524.03
Other Grants	4,849.31	7,021.55	7,675.41	6,117.84	11,167.91
Total grants	**84,881.17**	**106,273.19**	**135,363.68**	**166,835.73**	**208,554.45**
Social benefits	24,615.63	25,677.05	27,709.75	30,879.40	32,284.76
Other expense	811.00	879.84	1,659.10	1,018.50	2,054.55
Total current expenditure	**417,381.29**	**465,970.29**	**525,671.23**	**612,193.97**	**740,975.00**
Capital Grants(TRANSFERS)	31,380.71	26,699.00	48,581.82	51,721.61	168,936.31
1. Total Expense	**448,762.00**	**492,669.29**	**574,253.05**	**663,915.59**	**909,911.31**
2. Acquisition of Non Financial Assets(net)	**74,386.08**	**113,198.20**	**114,823.72**	**125,401.14**	**156,649.39**
Building and structures	55,250.62	91,603.33	96,902.65	102,459.17	126,762.25
Machinery and equipment	15,328.70	16,842.22	13,780.26	17,505.07	27,507.10
Inventories	4,552.03	7,835.46	4,956.72	5,498.63	3,200.39
Valuables	0.00	0.00	0.00	0.00	0.00
Non- produced assets & Land	2,207.95	726.93	2,092.72	2,325.26	3,130.00
Less Disposal of Non financial assets	(2,953.23)	(3,809.73)	(2,908.62)	(2,387.00)	(3,950.35)
Equity Participation and on-lending	46,244.04	9,126.79	5,659.95	6,316.06	5,795.56
3 PUBLIC DEBT REDEMPTION	92,269.42	75,361.36	91,714.97	124,543.70	89,225.51
4 Total Expenditure (1+2+3)	**661,661.53**	**690,355.64**	**786,451.70**	**920,176.48**	**1,161,581.78**

Source: Ministry of Finance

*Provisional.

+ Revised Estimates

6.13. Details of aggregated Central Government debt for the period between 2007 and 2011 are provided in Table 6.10. Public debt strategy remains to meet the Central Government financing needs while minimizing the long term borrowing costs and risks. Total public debt grew by 22.2 per cent from KSh 1,082.7 billion as at end of June 2010 to KSh 1,322.6 billion

as at end of June 2011. The outstanding long term government stocks at book value by holders were, however, fully redeemed in 2010/11 financial year.

Table 6.10: Central Government Public Debt[1], 2007- 2011

KSh million

As at 30th June	Public Debt[2]								
	Stocks			Other debt			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
2007	..	754.68	754.68	381,962.81	317,647.44	699,610.25	381,962.81	318,402.12	700,364.93
2008	..	754.68	754.68	424,335.20	334,241.45	758,576.65	424,335.20	334,996.13	759,331.33
2009	..	754.68	754.68	517,037.64	400,986.41	918,024.05	517,037.64	401,741.09	918,778.73
2010	..	753.35	753.35	548,680.26	533,218.59	1,081,898.85	548,680.26	533,971.94	1,082,652.20
2011*	..	0.00	0.00	697,846.28	624,752.00	1,322,598.28	697,846.28	624,752.00	1,322,598.28

Source: Ministry of Finance/Central Bank of Kenya

*Provisional

[1] revised series

[2] Includes Short Term Borrowing

6.14. Table 6.11 presents details of Central Government outstanding debt by source for the period 2007 to 2011. Overall Central Government outstanding debt stood at KSh 1,322.6 billion as at end of June 2011 where external debt accounted for 52.8 per cent of the total debt. Multilateral sources continued to hold the major share, accounting for 33.3 per cent of the total outstanding debt principally due to their desirable borrowing terms. Japan remains the main bilateral lender accounting for 43.5 per cent of the total debt from bilateral lenders Outstanding debt from the People's Republic of China more than doubled in 2011 to stand at KSh 32.5 billion.

6.15. International Development Agency (IDA) and International Fund for Agricultural Development (IFAD) continue to be the dominant multilateral lenders collectively accounting for 72.4 per cent of total multilateral debt. Borrowing from the International Monetary Fund (IMF) grew by 39.5 per cent owing to the continued implementation of the initial phase of the KSh 62.0 billion three-year Extended Credit Facility (ECF). Both external and internal debts are observed to have exhibited varying trends in the review period. External debt grew faster by 27.2 per cent in 2011 compared to 6.1 per cent in 2010. During the same period, internal debt decelerated from 32.9 per cent in 2010 to 17.0 per cent in 2011. This was largely as a result of under subscription of Treasury bills in the auction market and turbulent financial markets both locally and internationally.

Table 6.11: Central Government Outstanding Debt by Source[1], 2007 -2011

KSh million

Outstanding as at 30th June	2007	2008	2009	2010	2011*
EXTERNAL DEBT:					
Lending Countries:					
Germany	13,479.00	15,763.94	16,440.53	16,234.89	26,670.05
Japan	66,167.00	72,845.00	90,839.00	98,847.00	111,842.00
France	18,886.00	22,903.00	28,102.91	28,173.42	40,347.13
USA	5,206.00	4,863.00	5,669.00	5,729.00	5,901.00
Netherlands	2,367.00	2,318.00	2,140.08	1,876.60	3,011.87
Denmark	2,144.00	2,336.03	2,354.49	2,290.80	2,774.66
Finland	117.81	120.11	128.60	119.30	132.30
China	3,132.00	4,024.00	11,821.00	14,385.00	32,453.00
Belgium	4,625.00	4,750.00	7,078.00	6,775.00	9,037.00
Other	25,580.00	23,277.00	21,359.00	21,916.00	24,795.70
Total	141,703.81	153,200.08	185,932.61	196,347.01	256,964.71
International Organisations:					
IDA / IFAD	190,877.00	209,545.00	246,485.00	260,108.00	319,268.00
EEC/ EIB	10,248.00	11,234.75	11,062.78	10,498.01	12,496.71
IMF	13,703.00	17,547.72	35,125.00	34,110.04	47,581.72
ADF/ AfDB	23,630.00	30,134.66	32,651.25	41,000.20	52,645.14
Others	1,801.00	2,673.00	5,781.00	6,617.00	8,890.00
Total	240,259.00	271,135.12	331,105.03	352,333.25	440,881.57
Total External	381,962.81	424,335.20	517,037.64	548,680.26	697,846.28
INTERNAL DEBT:					
Treasury Bills[2]	94,422.26	76,848.15	116,794.30	158,494.00	126,605.00
Treasury Bonds	272,199.74	315,189.66	360,743.95	448,615.00	595,661.00
Non Interest bearing debt	35,548.76	34,438.00	33,328.76	32,218.00	31,663.00
Others(includes stocks)	2,519.36	7,082.32	7,690.00	20,624.94	10,293.00
Less govt deposits & on-lending	-86,288.00	-98,562.00	-116,815.91	-125,980.00	-139,470.00
TOTAL INTERNAL(net)[3]	318,402.12	334,996.13	401,741.09	533,971.94	624,752.00
TOTAL UNFUNDED DEBT	700,364.93	759,331.33	918,778.73	1,082,652.20	1,322,598.28

Source: Ministry of Finance/Central Bank of Kenya

* Provisional

[1] revised series

[2] Excludes Repo Bills

[3] Excludes Government deposits to Central Bank and Commercial Banks

6.16. Data on the Central Government debt servicing charges and receipts from interest and loan repayment on on-lending are presented in Table 6.12. The net debt servicing charges increased from KSh 146.6 billion in 2010 to KSh 190.5 billion in 2011 representing a 29.9 per cent growth. The rise in debt servicing may have been occasioned by increased domestic borrowing and depreciation of the Kenya Shilling. In the review period, the structure of Central Government debt service remained relatively unchanged with domestic component accounting for over 80 per cent of total annual debt servicing charges.

Table 6.12: Central Government Debt Servicing Charges, 2007- 2011

KSh Million

Year ending 30th June	Annual Debt Servicing Charges[1]			Interest and Loan Repayment Receipts			Net Servicing Charges		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
2007	17,894.09	112,056.29	129,950.38	..	663.20	663.20	17,894.09	111,393.09	129,287.18
2008	23,831.82	118,290.27	142,122.09	..	708.56	708.56	23,831.82	117,581.71	141,413.53
2009	23,871.16	102,054.69	125,925.85	..	571.48	571.48	23,871.16	101,483.21	125,354.37
2010	24,317.18	123,184.21	147,501.39	..	926.11	926.11	24,317.18	122,258.10	146,575.28
2011*	32,620.77	159,204.03	191,824.80	..	1,325.30	1,325.30	32,620.77	157,878.73	190,499.50

Source: Ministry of Finance

* Provisional

[1] Annual debt servicing Charges =Public debt redemption (Table 6. 1)+Interest(Table 6.9)

6.17. Table 6.13 provides the ratio of debt service charges on external debt to export of goods and services for the years 2007 to 2011. The ratio is a measure of a country's debt burden in terms of its debt obligations abroad vis-à-vis the benefits derived from export of goods and services. Over the years, this ratio has remained relatively stable averaging at slightly above 4 per cent. In 2011, the ratio stood at 3.8 per cent in 2011 compared to 4.6 per cent in 2010.

Table 6.13: Central Government Debt Service Charges on External Debt related to Exports of Goods and Services, 2007-2011

	Debt Service Charges on External Debt[1] (Financial Year)	Exports of Goods and Services (Calender Year)	External debt service Charges as a Percentage of Exports of Goods and Services
	KSh Million	KSh Million	%
2007	17,894.09	475,455.00	3.76
2008	23,831.82	573,501.00	4.16
2009	24,317.18	573,199.00	4.24
2010	32,620.77	711,756.00	4.58
2011*	33,282.91	879,786.00	3.78

Source: Ministry of Finance and Kenya National Bureau of Statistics

* Provisional.

[1] Including debt redemption, however, interest payments on drawing on IMF are excluded.

Local Authorities

6.18. The government with support of development partners initiated a programme with the broad objective of strengthening governance and improvement of service delivery in selected municipalities. The programme, named '*Municipal Program Project'*, is specifically expected to reform frameworks for urban governance, municipal restructuring and strengthening of planning and finance management. Consequently, the local authorities selected are expected to build capacity and intensify their investment on infrastructure.

6.19. As presented on Table 6.14 and Figure 6.2, a total of KSh 17.3 billion is expected to be transferred through the Local Authority Transfer Funds (LATF) mechanism in 2011/12 compared to KSh 12.3 billion transferred in 2010/11, representing an increase of 40.7 per

cent. These transfers are allocated based on satisfactory performance and service delivery where high performers are rewarded and poor performers penalised.

Table 6.14: Central Government Transfer through LATF to Local Authorities, 2007/08 - 2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12*
Nairobi City Council	1,531.80	1,729.45	1,956.74	2,230.95	3,325.10
Municipal Councils	2,047.11	2,300.59	2,606.51	3,086.54	4,334.53
County Councils	3,846.60	4,304.56	4,831.21	5,791.98	8,024.39
Town Councils	824.49	915.41	1,005.54	1,190.53	1,615.97
**TOTAL .. ..

employees is expected to increase by 31.5 per cent from KSh 9.2 billion in 2010/11 to KSh 12.1 billion in 2011/12, while that on use of goods and services is estimated to grow by 9.6 per cent to KSh 5.7 billion.

Table 6.17: Municipal Councils[1] - Economic Analysis of Expenditure, 2007/08 – 2011/12

KSh million

	2007/08	2008/09	2009/10	2010/11*	2011/12+
CURRENT EXPENDITURE:					
Compensation of employees	6,638.33	7,293.96	7,891.69	9,232.82	12,079.06
Use of Goods and Services	3,488.07	3,575.67	3,928.48	5,214.12	5,709.63
Transfer to Households & Enterprises	85.69	93.43	97.42	102.58	132.47
Transfer to Funds (Current)	82.67	87.26	82.45	85.78	92.47
Interest	45.82	46.67	55.49	68.24	72.48
Total	10,340.58	11,096.99	12,055.53	14,703.54	18,086.11
CAPITAL EXPENDITURE:					
Acquisition of Non financial Assets	4,350.18	4,899.20	5,919.14	6,534.24	7,079.26
Loan Repayment[2]	184.20	222.82	235.87	243.88	548.19
Total	4,534.38	5,122.02	6,155.01	6,778.12	7,627.45
TOTAL EXPENDITURE	14,874.96	16,219.01	18,230.88	21,481.66	25,713.56

Source: Local Authorities

* Provisional

+ Budget estimates

[1] Includes Nairobi City Council

[2] Includes interest

Table 6.18: Municipal Councils[1] - Economic Analysis of Revenue, 2007/08 – 2011/12

KSh million

	2007/08	2008/09	2009/10	2010/11*	2011/12+
CURRENT REVENUE:	9,407.40	12,793.55	13,081.85	13,429.54	18,113.20
Direct Taxes (Rates[2])	2,365.28	2,883.85	3,247.15	3,428.31	4,352.16
Indirect Taxes (Licences and cesses)	993.68	1,874.17	2,014.35	2,042.39	2,957.65
Income from property	896.27	900.32	798.57	713.92	957.35
Current Transfers[3]	1,701.17	2,187.79	1,718.11	2,009.17	2,589.67
Sale of goods and services[4]	3,451.00	3,432.50	5,303.67	5,235.75	7,256.37
CAPITAL REVENUE:	468.26	514.92	605.42	601.94	802.96
Loans Raised	463.99	511.68	602.44	598.75	798.67
Loan Repayment	4.27	3.24	2.98	3.19	4.29
TOTAL REVENUE	9,875.65	13,308.47	13,687.27	14,031.48	18,916.16

Source: Local Authorities

* Provisional

+ Revised budget estimates

[1] Includes Nairobi City Council

[2] Paid by households and enterprises

[3] Excludes LATF

[4] Includes services charge

6.23. Details of revenue collected by municipal councils between 2007/08 and 2011/12 are presented in Table 6.18. Total revenue collections increased by 35.0 per cent from KSh 14.0 billion in 2010/11 to KSh 18.9 billion in 2011/12. During the review period, current and capital revenue are expected to increase by 34.9 and 33.4 per cent, respectively. Receipts from sale of goods and services, direct taxes, and indirect taxes each accounted for 38.4, 23.0 and

15.6 per cent of the total revenue, respectively, in the same year.

6.24. The economic analysis of expenditure and revenue for towns and county councils for the fiscal period 2007/08 to 2011/12 is shown in Table 6.19. Total expenditure is expected to expand by 8.0 per cent from KSh 11.8 billion in 2010/11 to KSh 12.8 billion in 2011/12. Expenditure on compensation of employees is anticipated to increase by 6.8 per cent from KSh 4.4 billion in 2010/11 to KSh 4.7 billion in 2011/12. In contrast, expenditure on use of goods and services is expected to decline by 2.6 per cent from KSh 3.8 billion in 2010/11 to KSh 3.7 billion in 2011/12. During the same period, expenditure on acquisition of non-financial assets is expected to grow by 19.2 per cent to KSh 3.8 billion.

6.25. Total revenue for towns and county councils is expected to increase from KSh 4.9 billion in 2010/11 to KSh 5.3 billion in 2011/12. Sale of goods and services and indirect taxes will continue to be the main source of revenue for this category of local authorities, each accounting for 45.0 and 30.5 per cent of the total revenue, respectively.

Table 6.19: Town and County Councils- Economic Analysis of Expenditure and Revenue, 2007/08 -2011/12

KSh million

	2007/08	2008/09	2009/10	2010/11*	2011/12+
CURRENT EXPENDITURE:					
Compensation of employees	2,436.50	3,503.82	3,938.15	4,367.76	4,687.26
Use of Goods and Services	2,646.25	3,004.63	3,530.57	3,787.76	3,691.40
Transfer to Households & Enterprises	377.63	324.89	350.62	402.99	512.57
Transfer to Funds (Current)	75.26	72.34	76.39	87.25	92.59
Total	5,535.64	6,905.68	7,895.73	8,645.77	8,983.82
CAPITAL EXPENDITURE:					
Acquisition of non-financial Assets	2,393.75	2,200.66	2,905.68	3,184.56	3,795.59
Loan Repayments[1]	4.59	2.36	4.99	6.43	8.59
Total	2,398.34	2,203.02	2,910.67	3,190.99	3,804.18
TOTAL EXPENDITURE	7,933.98	9,108.70	10,806.40	11,836.76	12,787.99
CURRENT REVENUE:					
Direct Taxes (Rates[2])	388.72	220.47	227.84	234.99	284.29
Indirect Taxes (Licences and Cesses)	765.90	1,380.14	1,402.59	1,428.98	1,626.55
Income from Property	178.31	276.02	292.87	304.26	394.58
Current Transfers[3]	797.79	418.93	415.65	487.22	552.68
Sale of Goods and Services[4]	1,323.88	1,963.42	2,155.15	2,387.98	2,405.24
Total	3,454.60	4,258.98	4,494.10	4,843.43	5,263.33
CAPITAL REVENUE:					
Loans Raised	112.37	98.40	82.56	68.12	78.36
Total	112.37	98.40	82.56	68.12	78.36
TOTAL REVENUE	3,566.97	4,357.38	4,576.66	4,911.55	5,341.69

Source: Local Authorities

* Provisional.

+ Budget Estimates

[1] Includes Interest

[2] Paid by households and enterprises

[3] Excludes LATF

[4] Includes service charge

Chapter 7

International Trade and Balance of Payments

Overview

International trade indicators for 2011 continued to show a widening merchandise trade deficit. Merchandise trade balance widened further from a deficit of KSh 537,412 million in 2010 to KSh 804,633 million in 2011, an increase of 49.7 per cent. The value of total exports increased by 24.7 per cent in the year under review while the value of imports grew relatively faster at the rate of 38.9 per cent. These developments led to a fall in the export/import ratio from 43.3 per cent in 2010 to 38.8 per cent in 2011.

7.2. The volume of trade expanded by 34.6 per cent in 2011 compared to 19.8 per cent growth in 2010. This growth was as a result of a substantial increase in the value of imports. Domestic export earnings rose by 25.3 per cent during the year under review. The value of re-exports increased by 15.4 per cent in 2011 compared to a 12.7 per cent increase in 2010. Tea, horticulture, articles of apparel and clothing accessories, and coffee collectively accounted for 47.0 per cent of the total domestic export earnings compared to 50.7 per cent in 2010. This could be attributed to a slower growth of 11.6 per cent in the values for tea exports vis-à-vis a 33.2 per cent growth recorded in 2010.

7.3. In 2011, balance of payments position was under pressure on account of the imports bill rising to over KSh 1.3 trillion. This was attributed to the rise of oil prices in the global markets and depreciation of the Kenya Shilling against major currencies. The current account deteriorated to a deficit of KSh 296,024 million from a deficit of KSh 187,677 million in the previous year. This was mainly due to a widening visible trade deficit valued on free-on-board (f.o.b) basis worsening further to stand at KSh 746,052 million in 2011. Trade in international services registered a surplus of KSh 173,913 million in 2011 up from a surplus of KSh 138,189 million recorded in 2010 partly attributable to increases in the earnings from tourism. The current transfers recorded a surplus of KSh 275,497 million. Capital flows into Kenya grew significantly in 2011 as a result of investment in infrastructure projects, by foreign investors. Consequently the capital and financial account registered a surplus of KSh 289,640 million compared to a surplus of KSh 186,001 million in 2010.

Table 7.1: Balance of Trade, 2007 - 2011

KSh Million

DESCRIPTION	2007	2008	2009	2010	2011*
EXPORTS (f.o.b) :					
Domestic Exports	261,685	322,660	323,571	385,441	482,944
Re-exports	12,973	22,287	21,378	24,353	28,094
Total	**274,658**	**344,947**	**344,949**	**409,794**	**511,038**
IMPORTS (c.i.f) :					
Commercial	597,877	763,704	780,323	934,730	1,298,033
Government	7,235	6,947	7,773	12,476	17,639
Total	**605,112**	**770,651**	**788,097**	**947,206**	**1,315,671**
BALANCE OF TRADE	**(330,454)**	**(425,705)**	**(443,147)**	**(537,412)**	**(804,633)**
TOTAL TRADE	879,769	1,115,598	1,133,047	1,357,176	1,826,709
COVER RATIO[1] (in percentage) .	**45.4**	**44.8**	**43.8**	**43.3**	**38.8**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

*Provisional

[1]COVER RATIO =(Total Exports/Total Imports)*100

Balance of Trade

7.4. Table 7.1 summarizes trade flows for the period 2007 to 2011. In 2011, volume of international trade increased by 34.6 per cent, as a result of substantial increases in both total exports and imports. Total exports rose by 24.7 per cent from KSh 409,794 million in 2010 to KSh 511,038 million in 2011 while the value of re-exports increased by 15.4 per cent during the same period. Total imports increased by 38.9 per cent in the year under review compared to a 20.2 per cent increase in 2010. Trade balance widened further from a deficit of KSh 537,412 million in 2010 to KSh 804,633 million in 2011 reflecting a deterioration of 49.7 per cent. This is attributable to high import bill on machinery and transport equipment, manufactured goods, mineral fuels and food. In 2011, earnings from total exports financed 38.8 per cent of the import bill compared to 43.3 per cent in 2010. Figure 7.1 depicts the widening trend of trade deficit from 2007 to 2011.

Figure 7.1: Trade Balance, 2007-2011



Price Changes

7.5. The analysis of international merchandise trade presented in this chapter is based on the Standard International Trade Classification (SITC). Table 7.2 presents a five-year series of unit price indices for exports and imports. Unit price indices measure the average change in prices for exports and imports. The indices computations are based on a new basket of commodities with 2009 as the base year. Details of the methodological framework are given in Chapter 16. In 2011, the export unit price indices for all items and non-oil items increased by 18.9 per cent and 19.8 per cent, respectively. Similarly, import unit price indices for non-oil items and all items increased by 29.0 per cent and 24.6 per cent, respectively, in the same period. This indicates that import unit prices grew faster relative to export unit prices resulting in the widening of the trade deficit.

Table 7.2. Export and Import Price Indices⁺, 2007-2011

2009=100

	2007	2008	2009	2010	2011*
EXPORTS:					
Food and live animals	73	86	100	112	141
Beverages and tobacco	118	115	100	130	133
Crude materials, (inedible)	82	99	100	106	109
Mineral fuels	81	107	100	114	121
Animal and vegetable oils and fats	86	125	100	115	177
Chemicals	89	112	100	98	124
Manufactured goods	85	108	100	104	112
Machinery and transport equipment	94	123	100	129	224
Miscellaneous manufactured articles	112	116	100	129	137
All Exports	**83**	**99**	**100**	**111**	**132**
Non-oil Exports	**83**	**99**	**100**	**111**	**133**
IMPORTS:					
Food and live animals	92	119	100	131	126
Beverages and tobacco	75	94	100	108	111
Crude materials, (inedible)	85	92	100	104	125
Mineral fuels	98	147	100	136	144
Animals and vegetable oils and fats	89	146	100	125	185
Chemicals	97	109	100	107	132
Manufactured goods	101	125	100	119	157
Machinery and transport equipment	139	144	100	137	207
Miscellaneous manufactured articles	136	107	100	108	135
All imports	**110**	**130**	**100**	**126**	**157**
Non-oil Imports	**113**	**124**	**100**	**124**	**160**

* Provisional

⁺ Revised

7.6. The export unit price indices for all categories recorded increases in 2011. Significant increases were recorded in the export unit price indices for machinery and transport equipment (73.6 per cent), animal and vegetable oils and fats (53.9 per cent), food and live animals (25.9 per cent) and chemicals (26.5 per cent). The export unit price index for mineral fuels, and beverages and tobacco increased by 6.1 per cent and 2.3 per cent, respectively, in the review period.

7.7. The import unit price indices for all the categories increased during the review period, except for food and live animals which declined by 3.8 per cent. Major increases were recorded in machinery and transport equipment (51.1 per cent), animal and vegetable oils and fats (48.0 per cent) and manufactured goods (31.9 per cent). The import unit price indices for miscellaneous manufactured articles, chemicals and inedible crude materials rose

by 25.0, 23.4 and 20.2 per cent respectively, in 2011. Import unit price indices for mineral fuels and beverages and tobacco increased by 5.9 per cent and 2.8 per cent, respectively, in 2011.

Terms of Trade

7.8. The terms of trade which is the ratio of export unit price index to import unit price index are presented in Table 7.3. The terms of trade for all items declined by 4 percentage points in 2011 to stand at 84.1 per cent. Terms of trade for non-oil items decreased by 6.4 percentage points from 89.5 per cent in 2010 to 83.1 per cent in 2011. These unfavourable terms of trade reflect the high world prices of machinery and transport equipment, manufactured goods and mineral fuels.

Table 7.3: Terms of Trade[+], 2007 – 2011

2009 = 100

DESCRIPTION	2007	2008	2009	2010	2011*
All Items	75.5	76.2	100.0	88.1	84.1
Non-oil Items	73.5	79.8	100.0	89.5	83.1

* Provisional

+ Revised

Volume Changes

7.9. The volume of international trade for various SITC groups measured by quantum indices is shown in Table 7.4. Overall, the export quantum indices for both all items and non-oil items deteriorated at the same rate of 2.2 per cent in 2011 compared to declines of 8.0 per cent, recorded in the previous period. This is partly explained by the mixed performance recorded in the selected SITC groups. Significant declines of 30.0 per cent, and 13.5 per cent were recorded in export quantum indices for machinery and transport equipment, and chemicals respectively, in 2011. Food and live animals and inedible crude materials export quantum indices decreased by 1.1 per cent each during the same period. On the other hand, export quantum indices for manufactured goods, animals and vegetable oils and fats, beverages and tobacco, and mineral fuels increased in the review period.

Table 7.4: Quantum Indices+, 2007 - 2011

2009 =100

	2007	2008	2009	2010	2011*
EXPORTS:					
Food and live animals	109	112	100	92	91
Beverages and tobacco	77	73	100	79	80
Crude materials, (inedible)	95	108	100	97	93
Mineral fuels	150	86	100	86	91
Animal and vegetable oils and fats	69	65	100	89	96
Chemicals	76	95	100	104	90
Manufactured goods	101	98	100	99	107
Machinery and transport equipment ..	64	65	100	80	56
Miscellaneous manufactured articles	86	92	100	79	81
All Exports	**97**	**100**	**100**	**92**	**90**
Non-oil Exports	**96**	**101**	**100**	**92**	**90**
IMPORTS:					
Food and live animals	47	47	100	59	62
Beverages and tobacco	120	126	100	142	138
Crude materials, (inedible)	105	98	100	116	97
Mineral fuels	78	84	100	92	87
Animals and vegetable oils and fats	95	85	100	113	76
Chemicals	78	90	100	116	94
Manufactured goods	87	82	100	108	82
Machinery and transport equipment ..	57	63	100	89	59
Miscellaneous manufactured articles .. .	69	84	100	112	90
All imports	**70**	**75**	**100**	**95**	**77**
Non-oil Imports	**68**	**73**	**100**	**96**	**74**

*Provisional
+ Revised

7.10. The overall import quantum indices for all items and non-oil items worsened by 18.9 per cent and 22.9 per cent respectively in 2011 occasioned by declines in import quantities of most categories except food and live animals. Notable declines were recorded in machinery and transport equipments (33.7 per cent), and animal and vegetable oils and fats (32.7 per cent), and manufactured goods (24.1 per cent). Similarly, import quantum indices for miscellaneous manufactured articles, chemicals and inedible crude materials declined by 19.6, 19.0 and 16.4 per cent respectively, in 2011. This may be as a result of high import prices as a consequence of the depreciation of the Kenya Shilling against the major world currencies.

Quantities of Principal Exports and Imports

7.11. Volumes of principal exports and imports for the period between 2007 and 2011 are presented in Table 7.5. Export quantities of fluorspar more than tripled to stand at 116,600 tonnes in 2011. The increase was occasioned by increased production after it stalled in 2009. Export quantities of hides and skins also posted a remarkable increase in the review period to reverse the downward trend registered in the previous three years. Notable increases were recorded in the export quantities of tobacco and tobacco manufactures, soda ash and, iron and steel which increased by 27.5, 19.9 and 19.0 per cent respectively, in 2011. Export quantities of coffee, tea and horticulture declined by 12.9, 6.0, and 4.7 per cent respectively, in the review period. This decline was mainly due to decreased production as a result of drought and the reduced demand due to the Euro-Zone recession. Export quantities of sisal

and fish declined by 44.8 per and 12.9 per cent, respectively.

7.12. The imported quantities of both unmilled and processed wheat increased in the review period mainly to cover for production short fall arising from the drought experienced in the country. Quantities of imported wheat flour more than doubled, rising from 37.9 thousand tonnes in 2010 to 77.9 thousand tonnes in 2011. Similarly, the quantity of unmilled wheat increased from 848,081 tonnes in 2010 to 1,002,710 in 2011. Imports of unmilled maize increased by 56.5 per cent to supplement local production. Imports of sugar, molasses and honey which had recorded a significant increase in 2010 reduced by 41.1 per cent in 2011, owing to adverse weather conditions in both Brazil and China who are the world major sugar producers. Import quantities of road motor vehicles declined by 14.1 per cent partly due to the weakening of the Kenya Shilling and the disruption of imports from Japan following the tsunami crisis experienced in the country early in the year under review.

Table 7.5: Quantities of Principal Exports and Imports, 2007 – 2011

Commodity	Unit of Quantity	2007	2008	2009	2010	2011*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	16,423	20,989	14,970	17,804	15,516
Maize(raw)	Tonne	27,750	19,002	4,072	2,623	1,173
Meals and flours of wheat	Tonne	688	2,286	2,816	2,900	4,624
Horticulture [1]	Tonne	397,271	414,703	338,994	379,534	361,787
Sugar confectionery	Tonne	30,873	27,876	36,332	30,845	33,091
Coffee, unroasted	Tonne	55,151	41,470	59,991	43,135	37,570
Tea	Tonne	370,245	390,003	326,497	410,035	385,425
Margarine and shortening	Tonne	33,241	26,807	26,322	18,463	20,287
Beer made from malt	'000 Lt.	44,549	47,870	58,699	51,370	59,053
Tobacco and tobacco manufactures	Tonne	38,785	34,049	33,386	31,594	40,290
Hides and Skins	Tonne	2,416	841	717	322	2,250
Sisal	Tonne	22,031	20,693	19,864	21,817	12,040
Stone, sand and gravel	Tonne	151,172	99,990	20,331	18,957	45,944
Fluorspar	Tonne	71,736	105,805	5,504	37,500	116,600
Soda Ash	Tonne	437,035	710,928	512,624	493,722	592,207
Metal scrap	Tonne	9,155	7,303	4,298	3,626	4,342
Pyrethrum Extract	Tonne	18	-	-	-	-
Petroleum Products	Mn. Lt.	210	69	76	80	88
Animal and Vegetable oils	Tonne	50,297	50,516	73,775	105,919	106,414
Medicinal and pharmaceutical products	Tonne	10,244	9,166	8,769	9,457	11,446
Essential oils	Tonne	53,373	65,794	89,372	100,526	121,914
Insecticides and fungicides	Tonne	1,549	5,109	2,918	4,197	3,301
Leather	Tonne	20,049	19,529	13,957	22,272	26,485
Wood manufactures n.e.s	Tonne	1,447	971	866	812	712
Paper and paperboard	Tonne	20,611	21,990	7,929	7,666	9,572
Textile yarn	Tonne	2,769	2,248	2,183	2,358	2,263
Cement	Tonne	598,178	692,464	684,259	651,701	708,384
Iron and steel	Tonne	106,377	113,853	118,926	142,958	170,123
Metal containers	Tonne	3,761	3,632	3,310	2,642	3,262
Wire products: nails screws, nuts, etc.	Tonne	5,651	4,959	5,702	8,962	8,350
Footwear	' 000' Pairs	47,239	45,918	44,035	44,504	47,288
IMPORTS						
Wheat, unmilled	Tonne	564,300	538,498	781,717	848,081	1,002,710
Rice	Tonne	259,428	259,780	296,292	283,021	337,446
Maize, unmilled	Tonne	100,405	243,656	1,508,414	229,611	359,232
Wheat flour	Tonne	37,288	22,514	21,197	37,912	77,927
Sugars, Mollases and Honey	Tonne	252,964	242,459	212,868	299,308	176,177
Textile fibres and their waste	Tonne	22,545	17,645	16,594	16,628	18,182
Second - hand clothing	Tonne	53,871	57,817	59,677	80,423	76,533
Crude Petroleum	Tonne	1,598,703	1,773,338	1,627,900	1,551,524	1,772,135
Petroleum products	Mn. Lt.	2,047	2,130	2,867	2,638	2,984
Animal/vegetable fats and oils	Tonne	448,821	438,514	514,819	590,786	574,636
Organic & inorganic chemicals	Tonne	183,789	175,047	186,212	230,291	242,817
Medicinal and pharmaceutical products	Tonne	11,243	12,573	11,043	14,910	16,637
Essential oils & pefumes	Tonne	20,394	19,486	21,823	26,923	33,518
Chemical fertilizers	Tonne	344,986	321,277	448,984	419,732	522,200
Plastics in primary & non-primary forms	Tonne	219,818	221,332	266,955	300,070	317,394
Paper and Paperboard	Tonne	152,982	175,981	222,432	267,173	281,966
Iron and steel	Tonne	534,440	466,225	681,873	717,361	807,605
Non-ferrous metals	Tonne	39,138	35,417	43,657	39,667	43,122
Hand & machine tools	'000' No	7,993	6,102	7,040	9,102	9,534
Industrial Machinery[2]		..	..	..	..	..
Agricultural Machinery and Tractors[2]		..	..	..	..	..
Bicycles, assembled or partly assembled	'000' No	241	129	94	152	143
Road Motor Vehicles	Nos.	65,128	65,638	66,108	77,941	66,953

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

.. Data not available

[1] Horticulture includes cut flowers, fruits and vegetables, both fresh and processed.

[2] Items have different units

Values of Principal Exports and Imports

7.13. Table 7.6 indicates the values of principal exports and imports from 2007 to 2011. Tea, horticulture and coffee jointly with articles of apparel and clothing accessories were the leading export earners collectively accounting for 47.0 per cent of the total domestic earnings. Tea was the leading single commodity foreign exchange earner with its earnings increasing from KSh 91,617 million in 2010 to KSh 102,235 million in 2011. Foreign exchange earnings from hides and skin increased almost ten-fold from KSh 11 million in 2010 to KSh 108 million in 2011. In the review period, value of exports of metal scrap, leather and metal containers increased by 76.2, 71.9 and 65.3 per cent, respectively. However, export earnings from maize, sisal and fish and, fish preparations deteriorated by 40.5, 23.6 and 1.4 per cent respectively, in the review period.

7.14. Generally, almost all imported food items registered increases in value except the import value of sugar, molasses and honey which declined in the year under review. The share of crude petroleum and petroleum products, industrial machinery, road motor vehicles, and iron and steel collectively accounted for 48.3 per cent of the import bill. The import bill on crude petroleum and petroleum products increased by 70.9 per cent and 69.4 per cent respectively, in 2011. The political upheavals in the Middle East and North Africa brought about disruptions in supply resulting in high international oil prices. The value of road motor vehicle imports increased by 15.9 per cent despite a decline in the quantity of imports. This may be attributed to the increased unit prices and the depreciation of the Kenyan Shilling in the review period. The value of imported maize more than doubled during the period under review. Expenditure on wheat flour imports more than doubled whereas the import value of unmilled wheat increased by 79.8 per cent in 2011. Import value of chemical fertilizers increased by 62.4 per cent reversing the downward trend witnessed in the last two years. The increase is partly explained by the increase in import quantities and the weakening of the Kenya Shilling.

Table 7.6: Values of Principal Exports and Imports, 2007 – 2011

KSh Million

Commodity	2007	2008	2009	2010	2011*
DOMESTIC EXPORTS					
Fish and fish preparations	4,117	5,131	4,391	5,027	4,955
Maize(raw)	563	473	283	284	169
Meals and flours of wheat	19	95	109	78	159
Horticulture	56,808	71,182	65,220	72,092	83,331
Sugar confectionery	3,050	3,457	3,629	4,241	5,211
Coffee, unroasted	10,425	10,126	15,309	16,244	19,296
Tea	46,754	63,812	68,766	91,617	102,235
Margarine and shortening	2,714	2,923	2,597	2,006	2,950
Beer made from malt	1,782	2,065	2,508	2,775	2,961
Tobacco and tobacco manufactures	8,532	9,053	10,411	10,562	18,633
Hides and skins (undressed)	143	40	30	11	108
Sisal	1,389	1,495	1,291	1,586	1,212
Stone, sand and gravel	209	135	64	120	494
Fluorspar	963	2,191	153	726	3,928
Soda ash	5,419	13,185	8,305	7,265	12,371
Metal scrap	1,814	1,713	752	596	1,050
Pyrethrum extract	127	-	-	-	-
Petroleum products	7,720	4,223	4,466	4,706	6,101
Animal and Vegatable oils	3,453	4,851	5,910	9,893	14,165
Medicinal and pharmaceutical products	4,436	4,457	5,185	5,862	7,446
Essential oils	4,420	6,427	8,231	9,625	13,821
Insecticides and fungicides	854	1,642	1,269	1,659	1,828
Leather	3,036	3,313	2,237	4,192	7,208
Wood manufactures n.e.s	310	212	160	167	193
Paper and paperboard	1,039	1,354	642	544	651
Textile yarn	594	551	549	621	851
Cement	4,612	7,253	7,766	7,399	8,898
Iron and steel	8,224	10,824	9,073	12,124	18,161
Metal containers	348	402	437	444	734
Wire products: nails screws, nuts, etc.	411	478	493	918	1,140
Footwear	3,029	2,618	2,665	3,214	3,562
Articles of plastics	4,440	6,136	5,916	6,895	9,350
Articles of apparel and clothing accessories	16,165	17,452	13,948	15,561	22,260
All other Commodities	53,767	63,392	70,805	86,386	107,515
GRAND TOTAL	**261,685**	**322,660**	**323,571**	**385,441**	**482,944**
IMPORTS					
Wheat, unmilled	9,706	13,937	13,841	17,451	31,371
Rice	4,716	5,875	7,430	7,958	12,548
Maize	1,095	6,665	33,945	5,471	11,479
Wheat flour	1,451	668	1,525	1,396	3,575
Sugars, Mollases and Honey	7,694	7,410	8,064	14,551	11,089
Textile fibres and their waste	2,578	2,421	2,499	3,571	5,093
Second - hand clothing	3,232	3,663	4,533	6,539	6,831
Crude Petroleum	49,241	81,453	54,495	72,598	124,042
Petroleum Products	73,088	116,792	99,550	122,004	206,672
Animal/vegetable fats and oils	23,311	34,101	27,569	38,956	59,133
Organic & inorganic chemicals	11,166	13,231	12,612	16,127	19,649
Medicinal & Pharmaceauticals Products	15,948	20,776	22,994	27,879	39,681
Essential oils & perfumes	5,937	6,455	8,060	9,755	13,510
Chemical Fertilizers	8,057	15,507	15,238	14,186	23,045
Plastics in primary & non-primary forms	23,535	27,777	26,462	35,995	49,357
Paper and Paperboard	9,558	12,155	13,756	17,748	23,184
Iron and Steel	26,335	34,829	33,776	43,558	63,338
Non-ferrous metals	10,702	8,910	8,402	10,235	13,975
Hand & machine tools	1,383	1,110	1,160	1,613	2,335
Industrial Machinery	78,014	100,900	130,929	158,721	177,323
Agricultural Machinery and Tractors	3,105	3,321	3,578	4,279	5,532
Bicycles, assembled or partly assembled	441	271	202	314	395
Road Motor Vehicles	42,678	45,323	50,115	55,812	64,669
All other Commodities	192,143	207,101	207,359	260,488	347,846
GRAND TOTAL	**605,112**	**770,651**	**788,097**	**947,206**	**1,315,671**

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

* Provisional

Prices Changes of Principal Imports and Domestic Exports

7.15. Table 7.7 presents a summary of values, quantities and prices of principal exports for the period 2010 to 2011. In 2011, the declines of 12.9, 6.0 and 3.0 per cent in the export quantities of coffee, tea and horticulture respectively, were more than compensated by the 36.4, 18.7 and 19.2 per cent increases in their export prices respectively, leading to 18.8, 11.6 and 15.6 per cent increases in their export earnings. During the review period, the increased export unit price of textile yarn dampened the slight decline in its export quantities to post a 37.0 per cent increase in its export earnings. The 38.3 per cent increase in the export price of tobacco and tobacco manufactures coupled with 27.5 per cent increase in export quantities accelerated the export earnings by 76.4 per cent in 2011.

7.16. As indicated in Table 7.8, the import quantity of road motor vehicles declined by 14.1 per cent during the review period. However, there was a 15.9 per cent growth in the import bill resulting from a 34.9 per cent increase in the import price of each unit. During the same period, the import quantities of animals and vegetable fats and oils declined by 2.7 per cent. Inspite of this decline, the import expenditure bill grew by 51.8 per cent following a 56.1 per cent increase in import unit price. An increase of 29.2 per cent in the import unit price of iron and steel combined with a 12.6 per cent growth in its import quantity culminated in a 45.4 per cent increase in its import bill. At the same time, an increase of 13.1 per cent in import volume of petroleum products together with a 49.7 per cent increase in its unit price translated to a 69.4 per cent increase in its import bill. The 33.9 per cent increase in the import price of bicycles compensated the slight decline in its import quantities to register a 25.8 per cent increase in its total import expenditure. In the review period, the import bill for sugar, molasses and honey declined despite a 29.5 per cent increase in import unit price, following a decline in the import volume.

Table 7.7 Domestic Exports changes in Quantity, Value and Price, 2010- 2011

Commodity	Quantity					Value (KSh Million)				Price per Unit (KSh)			
	Unit	2010	2011*	Changes	% Change	2010	2011*	Changes	% Change	2010	2011*	Changes	%Change
Fish and fish preparations	Tonne	17,804	15,516	(2,288)	(12.8)	5,027	4,955	(72)	(1.4)	282,357	319,318	36,961	13.1
Maize(raw)	Tonne	2,623	1,173	(1,449)	(55.3)	284	169	(115)	(40.6)	108,183	143,628	35,445	32.8
Meals and flours of wheat	Tonne	2,900	4,624	1,724	59.5	78	159	81	102.7	27,065	34,409	7,344	27.1
Horticulture	Tonne	379,534	361,787	(17,746)	(4.7)	72,092	83,331	11,239	15.6	189,949	230,332	40,383	21.3
Sugar confectionery	Tonne	30,845	33,091	2,246	7.3	4,241	5,211	970	22.9	137,484	157,469	19,984	14.5
Coffee, unroasted ..	Tonnes	43,135	37,570	(5,565)	(12.9)	16,244	19,296	3,052	18.8	376,575	513,591	137,016	36.4
Tea	Tonne	410,035	385,425	(24,610)	(6.0)	91,617	102,235	10,618	11.6	223,438	265,254	41,816	18.7
Margarine and shortening	Tonne	18,463	20,287	1,824	9.9	2,006	2,950	944	47.1	108,653	145,407	36,755	33.8
Beer made from malt	'000' Lt.	51,370	59,053	7,684	15.0	2,775	2,961	186	6.7	54,024	50,137	(3,886)	(7.2)
Tobacco and tobacco manufactures ..	Tonnes	31,594	40,290	8,695	27.5	10,562	18,633	8,070	76.4	334,303	462,463	128,159	38.3
Hides and skins (undressed)	Tonnes	322	2,250	1,928	599.0	11	108	96	847.3	35,364	47,929	12,565	35.5
Sisal	Tonnes	21,817	12,040	(9,777)	(44.8)	1,586	1,212	(374)	(23.6)	72,696	100,650	27,954	38.5
Stone, sand and gravel	Tonne	18,957	45,944	26,987	142.4	120	494	373	310.2	6,351	10,749	4,398	69.2
Fluorspar	Tonne	37,500	116,600	79,100	210.9	726	3,928	3,202	440.7	19,372	33,690	14,318	73.9
Soda ash	Tonne	493,722	592,207	98,485	19.9	7,265	12,371	5,106	70.3	14,714	20,890	6,176	42.0
Metal scrap .. .	Tonne	3,626	4,342	716	19.7	596	1,050	453	76.0	164,474	241,711	77,238	47.0
Pyrethrum extract ..	Tonne	..	..	..	..	..	..	..	..	..	..	..	..
Petroleum products ..	Mn. Lt.	80	88	8	9.8	4,706	6,101	1,395	29.6	58,731,641	69,330,589	10,598,948	18.0
Animal and Vegatable oils	Tonne	105,919	106,414	495	0.5	9,893	14,165	4,273	43.2	93,398	133,116	39,718	42.5
Medicinal and pharmaceutical products	Tonne	9,457	11,446	1,989	21.0	5,862	7,446	1,584	27.0	619,902	650,546	30,644	4.9
Essential oils	Tonne	100,526	121,914	21,388	21.3	9,625	13,821	4,196	43.6	95,743	113,364	17,621	18.4
Insecticides and fungicides	Tonne	4,197	3,301	(896)	(21.4)	1,659	1,828	169	10.2	395,200	553,778	158,578	40.1
Leather	Tonne	22,272	26,485	4,212	18.9	4,192	7,208	3,016	72.0	188,197	272,148	83,951	44.6
Wood manufactures n.e.s..	Tonne	812	712	(100)	(12.3)	167	193	26	15.4	205,429	270,355	64,926	31.6
Paper and paperboard	Tonne	7,666	9,572	1,906	24.9	544	651	107	19.7	70,936	67,981	(2,955)	(4.2)
Textile yarn	Tonne	2,358	2,263	(95)	(4.0)	621	851	230	37.0	263,341	376,002	112,662	42.8
Cement	Tonne	651,701	708,384	56,683	8.7	7,399	8,898	1,499	20.3	11,353	12,561	1,208	10.6
Iron and steel	Tonne	142,958	170,123	27,165	19.0	12,124	18,161	6,037	49.8	84,811	106,753	21,942	25.9
Metal containers	Tonne	2,642	3,262	620	23.4	444	734	290	65.4	168,060	225,106	57,047	33.9
Wire products: nails screws, nuts, etc.	Tonne	8,962	8,350	(612)	(6.8)	918	1,140	222	24.2	102,422	136,516	34,094	33.3
Footwear	'000' Pairs	44,504	47,288	2,783	6.3	3,214	3,562	348	10.8	72,220	75,321	3,101	4.3
Articles of plastics'		..	..	..	..	6,895	9,350	2,455	35.6	..	..	..	..
Articles of apparel and clothing accessories[1]		..	..	..	..	15,561	22,260	6,699	43.0	..	..	..	..
All other Commodities'		..	..	..	..	86,386	107,515	21,128	24.5	..	..	..	..
TOTAL						**385,441**	**482,944**	**97,503**	25.3				

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

.. Data not available

[1]Items have different units

Table 7.8: Import Changes in Quantity, Value and Price, 2010-2011

Commodity	Quantity					Value (KSh Million)				Price Per Unit (KSh)			
	Unit	2010	2011*	Changes	%Changes	2010	2011*	Changes	%Changes	2010	2011*	Changes	%
Wheat, unmilled	Tonne	848,081	1,002,710	154,629	18.2	17,451	31,371	13,921	79.8	20,577	31,286	10,710	52.0
Rice	Tonne	283,021	337,446	54,425	19.2	7,958	12,548	4,590	57.7	28,119	37,186	9,067	32.2
Maize	Tonne	229,611	359,232	129,620	56.5	5,471	11,479	6,008	109.8	23,828	31,954	8,126	34.1
Wheat flour	Tonne	37,912	77,927	40,014	105.5	1,396	3,575	2,179	156.0	36,834	45,877	9,043	24.6
Sugars, Mollases and Honey	Tonne	299,308	176,177	(123,131)	(41.1)	14,551	11,089	(3,462)	(23.8)	48,615	62,940	14,326	29.5
Textile fibres and their waste	Tonne	16,628	18,182	1,555	9.4	3,571	5,093	1,523	42.6	214,742	280,124	65,382	30.4
Second - hand clothing	Tonne	80,423	76,533	(3,890)	(4.8)	6,539	6,831	292	4.5	81,312	89,253	7,941	9.8
Crude Petroleum	Tonne	1,551,524	1,772,135	220,611	14.2	72,598	124,042	51,444	70.9	46,791	69,996	23,204	49.6
Petroleum Products	Mn. Lt.	2,638	2,984	346	13.1	122,004	206,672	84,668	69.4	46,251,284	69,255,772	23,004,489	49.7
Animal/vegetable fats and oils	Tonne	590,786	574,636	(16,149)	(2.7)	38,956	59,133	20,177	51.8	65,939	102,905	36,966	56.1
Organic & inorganic chemicals	Tonne	230,291	242,817	12,526	5.4	16,127	19,649	3,522	21.8	70,028	80,919	10,891	15.6
Medicinal & Pharmaceauticals Products	Tonne	14,910	16,637	1,727	11.6	27,879	39,681	11,802	42.3	1,869,857	2,385,113	515,256	27.6
Essential oils & pefumes	Tonne	26,923	33,518	6,595	24.5	9,755	13,510	3,755	38.5	362,345	403,061	40,716	11.2
Chemical Fertilizers	Tonne	419,732	522,200	102,468	24.4	14,186	23,045	8,859	62.5	33,798	44,131	10,334	30.6
Plastics in primary & non-primary forms	Tonne	300,070	317,394	17,324	5.8	35,995	49,357	13,361	37.1	119,957	155,506	35,550	29.6
Paper and Paperboard	Tonne	267,173	281,966	14,793	5.5	17,748	23,184	5,436	30.6	66,430	82,223	15,793	23.8
Iron and Steel	Tonne	717,361	807,605	90,244	12.6	43,558	63,338	19,780	45.4	60,720	78,427	17,707	29.2
Non-ferrous metals	Tonne	39,667	43,122	3,455	8.7	10,235	13,975	3,740	36.5	258,015	324,072	66,057	25.6
Hand & machine tools	"000"Nc	9,102	9,534	432	4.7	1,613	2,335	722	44.8	177,211	244,891	67,680	38.2
Industrial Machinery[1]		..	..	..	..	158,721	177,323	18,602	11.7	..	..	..	..
Agricultural Machinery and Tractors[1]		..	..	..	..	4,279	5,532	1,253	29.3	..	..	..	..
Bicycles, assembled or partly assembled	"000"Nc	152	143	(9)	(6.0)	314	395	81	25.8	2,067	2,767	700	33.9
Road Motor Vehicles	Nos.	77,941	66,953	(10,988)	(14.1)	55,812	64,669	8,857	15.9	716,078	965,886	249,807	34.9
All other Commodities[1]		..	..	..	..	260,488	347,846	87,359	33.50	..	..	..	..
GRAND TOTAL						947,206	1,315,671	368,466	38.90				

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

.. Data not available

[1]Items have different units

Domestic Export and Import prices

7.17. Principal exports and imports unit prices are shown in Table 7.9. Majority of the commodities posted increased export unit prices in the period under review. Export unit prices of coffee and tea continued to register positive growths. In 2011, the export price of raw maize increased by 32.8 per cent while the prices of coffee and tea increased by 36.3 per cent and 18.8 per cent, respectively. Export prices of hides and skins registered an increase of 37.1 per cent contrary to price decreases registered since 2007. On the other hand, export unit prices of beer and, paper and paperboard declined by 7.4 per cent and 4.2 per cent, respectively, in 2011.

7.18. All the commodities recorded improved import unit prices in 2011. Import prices of crude petroleum and petroleum products continued with an upward trend, recording 49.6 per cent and 50.0 per cent growths, respectively, in the review period. Similarly, upward trends were recorded in the unit prices of animal and vegetable oils, and unmilled wheat imports which increased notably by 56.1 per cent and 52.0 per cent, respectively, in 2011.

Table 7.9: Prices of Principal Exports and Imports, 2007-2011

KSh/Unit

Commodity	Unit	2007	2008	2009	2010	2011*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	251	244	293	282	319
Maize(raw)	Tonne	20,284	24,899	69,619	108,183	143,628
Meals and flours of wheat	Tonne	28,335	41,381	38,658	27,065	34,409
Horticulture	Kg	137	172	192	190	230
Sugar confectionery	Kg	99	124	100	137	157
Coffee, unroasted	Kg	189	244	255	377	514
Tea	Kg	126	164	211	223	265
Margarine and shortening	Kg	82	109	99	109	145
Beer made from malt	Lt.	40	43	43	54	50
Tobacco and tobacco manufactures	Kg	220	266	312	334	462
Hides and Skins(undressed)	Kg	59	47	41	35	48
Sisal	Tonne	63,048	72,259	64,983	72,696	100,650
Stone, sand and gravel	Tonne	1,386	1,351	3,167	6,351	10,749
Fluorspar	Tonne	13,431	20,712	27,796	19,372	33,690
Soda Ash	Tonne	12,400	18,546	16,200	14,714	20,890
Metal scrap	Tonne	198,151	234,545	174,968	164,474	241,711
Pyrethrum Extract	Kg	7,130	..	..	..	..
Petroleum Products	Lt.	37	62	58	59	69
Animal and Vegetable oils	Kg	69	96	80	93	133
Medicinal and pharmaceutical products	Kg	433	486	591	620	651
Essential oils	Kg	83	98	92	96	113
Insecticides and fungicides	Kg	551	321	435	395	554
Leather	Kg	151	170	160	188	272
Wood manufactures n.e.s	Tonne	214,158	218,049	184,378	205,429	270,355
Paper and paperboard	Tonne	50,394	61,571	80,996	70,936	67,981
Textile yarn	Kg	215	245	251	263	376
Cement	Tonne	7,710	10,475	11,350	11,353	12,561
Iron and steel	Tonne	77,309	95,069	76,295	84,811	106,753
Metal containers	Tonne	92,413	110,745	132,032	168,060	225,106
Wire products: nails screws, nuts, etc.	Tonne	72,756	96,385	86,512	102,422	136,516
Footwear	Pair	64	57	61	72	75
IMPORTS						
Wheat, unmilled	Tonne	17,200	25,881	17,705	20,577	31,286
Rice	Tonne	18,177	22,615	25,076	28,119	37,186
Maize, unmilled	Tonne	10,904	27,353	22,504	23,828	31,954
Wheat flour	Tonne	38,904	29,675	71,926	36,834	45,877
Sugars, Mollases and Honey	Tonne	30,415	30,563	37,885	48,615	62,940
Textile fibres and their waste	Tonne	114,332	137,211	150,583	214,742	280,124
Second - hand clothing	Tonne	59,999	63,347	75,961	81,312	89,253
Crude Petroleum	Tonne	30,800	45,932	33,476	46,791	69,996
Petroleum products	Lt.	36	55	35	46	69
Animal and vegetable oils	Kg	52	78	54	66	103
Organic & inorganic chemicals	Kg	61	76	68	70	81
Medicinal & Pharmaceauticals Products	Kg	1,419	1,652	2,082	1,870	2,385
Essential oils & pefumes	Kg	291	331	369	362	403
Chemical fertilizers	Tonne	23,356	48,267	33,939	33,798	44,131
Plastics in primary & non-primary forms	Tonne	107,065	125,500	99,125	119,957	155,506
Paper and Paper Products	Tonne	62,477	69,069	61,844	66,430	82,223
Iron and steel	Tonne	49,275	74,705	49,534	60,720	78,427
Non-ferrous metals	Tonne	273,427	251,569	192,460	258,015	324,072
Hand & machine tools	Mn. No.	173	182	165	177	245
Industrial Machinery[1]		..	..	..	..	..
Agricultural Machinery and Tractors[1]		..	..	..	..	..
Bicycles, assembled or partly assembled	No.	1,829	2,100	2,149	2,067	2,767
Road Motor Vehicles	No.	655,298	690,505	758,073	716,078	965,886

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

[1]Items have different units

..Data not available

Composition of Exports

7.19. Table 7.10 presents the value of domestic exports by Broad Economic Categories (BEC). In 2011, foreign exchange earnings accruing from exports of food and beverages accounted for 41.0 per cent of the total domestic export earnings compared to a 44.1 per cent share recorded in 2010. Earnings from non-food industrial supplies, and machinery and other capital equipment accounted for 29.6 per cent and 2.3 per cent of the total earnings from domestic exports, respectively. The share of export earnings from fuel and lubricants, and transport equipment was a paltry 1.7 per cent and 1.6 per cent respectively during the review period.

7.20. Export earnings from commodities in the food and beverages category increased by 16.4 per cent from KSh 170,050 million in 2010 to KSh 197,888 million in 2011 as a result of increased earnings from primary food and beverages for household consumption which rose from KSh 118,400 million in 2010 to KSh 131,287 million in 2011. Export earnings from non-food industrial supplies increased by 31.9 per cent from KSh 108,201 million in 2010 to KSh 142,722 million in 2011. This was mainly attributed to a 26.0 per cent increase in processed non-food industrial supplies which increased from KSh 88,845 million in 2010 to KSh 111,960 million in 2011. Export earnings from machinery and other capital equipment increased from KSh 9,036 million in 2010 to KSh 11,195 million in 2011. Similarly, export earnings from fuel and lubricants sector rose by 8.5 per cent from KSh 7,454 million in 2010 to KSh 8,091 million in 2011. Earnings from the exports of transport equipment category rose by 14.7 per cent mainly due to the marked increases in the export earnings from parts and accessories, and industrial transport equipment which increased by 22.9 per cent and 20.7 per cent, respectively, in the review period.

Table 7.10: Value of Domestic Exports by Broad Economic Category, 2007-2011

KSh Million

DESCRIPTION	2007	2008	2009	2010	2011*
1 FOOD AND BEVERAGES	**105,549**	**130,273**	**136,751**	**170,050**	**197,888**
Primary	78,558	97,994	107,319	136,579	152,167
For Industry	11,689	11,381	16,710	18,099	20,880
For Household Consumption	66,869	86,613	90,608	118,480	131,287
Processed	26,991	32,279	29,433	33,471	45,721
For Industry	3,543	4,036	5,151	4,130	11,103
For Household Consumption	23,448	28,243	24,282	29,341	34,618
2. INDUSTRIAL SUPPLIES (Non-Food) ..	**66,678**	**92,500**	**87,342**	**108,201**	**142,722**
Primary	13,545	18,463	19,975	19,356	30,762
Processed	53,133	74,037	67,367	88,845	111,960
3. FUEL AND LUBRICANTS	**8,931**	**4,589**	**4,553**	**7,454**	**8,091**
Primary	12	12	9	7	13
Processed	8,919	4,577	4,543	7,448	8,078
Motor Spirit	417	238	318	561	538
Other	8,502	4,339	4,225	6,887	7,539
4. MACHINERY & OTHER CAPITAL EQUIPMENT	**4,426**	**5,566**	**6,781**	**9,036**	**11,195**
Machinery & Other Capital Equipment ..	3,518	4,787	5,492	7,320	9,001
Parts and Accessories	908	779	1,288	1,715	2,194
5. TRANSPORT EQUIPMENT	**3,475**	**3,672**	**5,828**	**6,576**	**7,544**
Passenger Motor Vehicles	115	69	100	228	160
Other	1,888	2,168	3,978	3,885	4,356
For Industry	1,815	2,124	3,944	3,517	4,245
Non-Industrial	73	44	34	368	111
Parts and Accessories	1,473	1,435	1,750	2,464	3,028
6. CONSUMER GOODS NOT ELSEWHERE SPECIF	**72,623**	**86,036**	**82,291**	**84,044**	**115,386**
Durable	2,211	2,560	3,234	1,326	3,661
Semi-Durable	22,278	24,091	20,239	22,036	28,462
Non-Durable	48,134	59,385	58,818	60,683	83,263
7. GOODS NOT ELSEWHERE SPECIFIED ..	**3**	**24**	**25**	**80**	**117**
TOTAL	**261,685**	**322,660**	**323,571**	**385,441**	**482,944**
PERCENTAGE SHARES:					
1. Food and Beverages	40.33	40.37	42.26	44.12	40.98
2. Industrial Supplies (Non-Food)	25.48	28.67	26.99	28.07	29.55
3. Fuel and Lubricants	3.41	1.42	1.41	1.93	1.68
4. Machinery and other Capital Equipment ..	1.69	1.73	2.10	2.34	2.32
5. Transport Equipment	1.33	1.14	1.80	1.71	1.56
6. Consumer Goods not elsewhere specified	27.75	26.66	25.43	21.80	23.89
7. Goods not elsewhere specified	0.00	0.01	0.01	0.02	0.02
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Composition of Imports

7.21. During the review period, increases were recorded in expenditures for all categories of imports. As shown in Table 7.11, expenditure on non-food industrial supplies and fuel and lubricants took the biggest share of the import bill, jointly accounting for 58.3 per cent, while 16.0 per cent of the total import bill was on machinery and other capital equipment.

7.22. Expenditure on non-food industrial supplies rose by 37.0 per cent up from KSh 299,270 million in 2010 to KSh 410,067 million in 2011. This was mainly due to a significant increase of 38.2 per cent in the expenditure on processed non-food industrial supplies (mainly palm oil, and iron and steel products). Expenditure on fuel and lubricants increased by 70.5 per cent from KSh 209,223 million in 2010 to KSh 356,829 million in 2011. This can be explained by increased expenditure on both primary and other processed fuel and lubricants that rose by 71.5 per cent and 66.2 per cent, respectively in the review period. The expenditure on

machinery and other capital equipment rose from KSh 177,242 million in 2010 to KSh 209,881 million in 2011. This was due to the significant rise in the expenditure on machinery and other capital equipment sub-sector from KSh 150,931 million in 2010 to KSh 176,640 million in 2011. Similarly, expenditure on transport equipment increased from KSh 116,904 million to KSh 131,701 million during the same period.

Table 7.11: Value of Imports by Broad Economic Category, 2007 – 2011

KSh Million

DESCRIPTION	2007	2008	2009	2010	2011*
1. FOOD AND BEVERAGES	**42,126**	**53,614**	**90,437**	**70,449**	**106,539**
Primary	18,510	26,207	58,256	31,695	57,700
For Industry	14,157	23,142	53,661	25,949	49,269
For Household Consumption	4,353	3,065	4,595	5,746	8,430
Processed	23,616	27,407	32,181	38,754	48,839
For Industry	5,755	7,875	7,840	9,229	10,857
For Household Consumption	17,861	19,532	24,341	29,525	37,982
2. INDUSTRIAL SUPPLIES (Non-Food)	**194,190**	**238,926**	**232,091**	**299,270**	**410,067**
Primary	13,878	15,489	15,160	20,270	24,358
Processed	180,312	223,437	216,931	279,000	385,709
3. FUEL AND LUBRICANTS	**126,760**	**206,642**	**165,515**	**209,223**	**356,829**
Primary	50,183	82,945	55,865	74,849	128,394
Processed	76,577	123,697	109,651	134,374	228,435
Motor Spirit	9,212	14,252	16,726	23,052	43,440
Other	67,365	109,445	92,925	111,322	184,995
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	**97,258**	**127,872**	**137,288**	**177,242**	**209,881**
Machinery and Other Capital Equipment	76,515	106,133	112,602	150,931	176,640
Parts and Accessories	20,743	21,739	24,685	26,312	33,242
5. TRANSPORT EQUIPMENT	**97,385**	**89,103**	**103,449**	**116,904**	**131,701**
Passenger Motor Vehicles	20,630	22,485	23,761	28,478	29,528
Other	58,556	41,587	57,022	61,992	66,079
Industrial	54,771	38,267	50,948	55,768	57,450
Non-Industrial	3,785	3,320	6,074	6,224	8,629
Parts and Accessories	18,199	25,031	22,666	26,435	36,095
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	**45,134**	**53,715**	**57,712**	**70,948**	**94,613**
Durable	7,936	10,064	9,905	11,839	16,269
Semi-Durable	12,945	14,699	15,933	19,263	24,917
Non-Durable	24,253	28,952	31,874	39,846	53,427
7. GOODS NOT ELSEWHERE SPECIFIED	**2,259**	**779**	**1,606**	**3,169**	**6,042**
TOTAL	**605,112**	**770,651**	**788,097**	**947,206**	**1,315,671**
PERCENTAGE SHARES:					
1. Food and Beverages	6.96	6.96	11.48	7.44	8.10
2. Industrial Supplies (Non-Food)	32.09	31.00	29.45	31.60	31.17
3. Fuel and Lubricants	20.95	26.81	21.00	22.09	27.12
4. Machinery and other Capital Equipment	16.07	16.59	17.42	18.71	15.95
5. Transport Equipment	16.09	11.56	13.13	12.34	10.01
6. Consumer Goods not elsewhere specified ..	7.46	6.97	7.32	7.49	7.19
7. Goods not elsewhere specified	0.37	0.10	0.20	0.33	0.46
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Direction of Trade

7.23. Kenya's trade with the rest of the world is shown in Tables 7.12, 7.13 and 7.14. In the review period, Africa continued to be the dominant destination of Kenya's exports. Exports to the continent accounted for 48.5 per cent of the total exports with a growth of 31.1 per cent. Export earnings from Uganda increased by 45.8 per cent from KSh 52,108 million in 2010 to KSh 75,954 million in 2011. The increase in exports was partly as a result of increased

exports of flat-rolled products of iron and non-alloy steel. Exports to Egypt increased by 29.3 per cent to reach KSh 23,422 million in 2011 on account of increased tea exports despite the political crisis in the country. Total exports to the European Union increased by 17.4 per cent in 2011 compared to a 6.4 per cent increase in 2010. This may be attributed to increased earnings from horticultural products and tea exports. Exports to the United Kingdom (UK) expanded by 16.2 per cent while those to Netherlands rose from KSh 26,868 million in 2010 to KSh 32,790 million in 2011. The increase in exports to the UK was largely on account of increased exports of cut flowers, tea and beans.

7.24. Exports to the Asian region recorded a 17.0 per cent growth to stand at KSh 95,449 million in the review period. Exports to Iran increased from KSh 859 million in 2010 to KSh 1,955 million in 2011 mainly due to an increase in exports of canned pineapples and fruit and vegetable juices. Export earnings from China registered a growth of 51.4 per cent while those from Pakistan rose by 16.3 per cent during the period under review. Exports to Indonesia increased from KSh 989 million to KSh 2,167 million in 2011. Major increases were in the exports of carbonates valued at KSh 894 million. On the other hand, exports to Israel declined by 8.0 per cent majorly due to reduced fish and fish preparation exports during the review period.

7.25. Asia continued to be the leading source of Kenya's imports with Far East Asia accounting for 39.4 per cent of the total imports in 2011 as indicated in Table 7.13. Over the last three years, the shares of imports from United Arab Emirates and India have been increasing remarkably. Consequently, in 2011, their respective shares stood at 15.2 per cent and 11.3 per cent of the total import bill. On the other hand, the share of imports from Japan has been slowing down over the last three years to account for 4.5 per cent of the total import bill in 2011. The value of imports from India increased by 44.1 per cent to reach KSh 148,772 million whereas imports from China grew by 19.4 per cent in the review period. However, the share of imports from China reversed from an upward trend witnessed over the period 2007-2010 to account for 11.0 per cent of the total import bill in 2011. The rise in imports from India was largely due to increase in the import values of petroleum products and medicaments. The value of imports from Pakistan more than doubled rising from KSh 8,219 million in 2010 to KSh 17,257 million in 2011. This was mainly occasioned by importation of unmilled wheat valued at KSh 5,898 million to supplement low local production. However, imports from Singapore which had increased by 20.1 per cent in 2010 declined slightly in the review period.

7.26. During the review period, imports from most European Union countries recorded significant increases. The value of imports from Spain increased by 95.9 per cent recovering from a decline of 18.7 per cent in 2010. Increases were recorded for the imports of chemicals, hydraulic turbines and petroleum products during the review period. Imports from Belgium increased from KSh 7,642 million in 2010 to KSh 10,716 million in 2011. Similarly, the value of imports from United Kingdom increased by 14.1 per cent reaching KSh 43,208 million in the year under review. However, the share of imports from United Kingdom has been slowing down over last three years to account for 3.3 per cent of the total import bill in 2011.

7.27. Imports from Africa increased by 32.3 per cent in 2011 compared to 9.7 per cent increase in 2010. The value of imports from South Africa increased from KSh 59,781 million to KSh 71,281 million in the review period partly explained by increased imports of flat-rolled products of iron and non-alloy steel. However, the share of imports from South Africa has been slowing down over the last three years, accounting for 5.4 per cent of the total import bill in 2011.

7.28. The share of imports from U.S has been slowing down over the last three years to account for 3.4 per cent of the total import bill in 2011. Imports from America increased by 42.6 per cent on account of a 13.4 per cent increase in imports from the United States of America. The increase was partly caused by increases recorded in the imports of chemical fertilizers and aircraft and aircraft parts.

Table 7.12: Value of Total Exports by Destination, 2007-2011

KSh Million

	2007	2008	2009	2010	2011*
EUROPE					
WESTERN EUROPE:					
European Union					
Belgium	2,596	2,814	3,390	4,159	4,414
Finland	894	1,230	1,657	1,808	1,230
France	3,952	4,829	4,250	5,093	5,604
Germany	5,952	6,114	7,351	7,715	7,574
Italy	2,580	2,987	2,417	3,253	6,668
Netherlands	21,919	26,167	26,331	26,868	32,790
Spain	1,633	2,151	1,508	2,034	2,203
Sweden	1,591	1,575	2,497	2,742	2,898
United Kingdom	28,789	37,912	38,496	40,211	46,728
Other	2,757	3,516	4,118	4,882	4,850
Total	**72,662**	**89,295**	**92,015**	**97,922**	**114,959**
Other Western Europe	4,234	5,390	2,692	3,767	10,156
Total Western Europe	**76,846**	**94,685**	**94,707**	**101,689**	**125,115**
EASTERN EUROPE:					
Russia Federation	1,923	3,410	3,616	4,515	5,786
Other	457	307	2,652	3,219	4,058
Total	**2,381**	**3,716**	**6,268**	**7,734**	**9,844**
TOTAL, EUROPE	**79,277**	**98,513**	**100,975**	**109,422**	**134,959**
AMERICA					
U.S.A	19,218	20,512	17,422	22,522	25,710
Canada	659	745	1,009	1,170	1,167
Other	643	798	531	688	615
TOTAL AMERICA	**20,520**	**22,054**	**18,961**	**24,380**	**27,491**
AFRICA					
South Africa	2,347	3,641	3,580	2,444	2,835
Rwanda	5,801	8,953	9,536	10,535	13,555
Egypt	9,111	15,490	11,885	18,116	23,422
Tanzania	22,326	29,224	30,087	33,211	41,743
Uganda	33,571	42,285	46,240	52,108	75,954
Burundi	2,424	3,479	4,597	5,458	5,904
Other[1]	48,449	59,468	56,808	67,042	84,189
TOTAL AFRICA	**124,029**	**162,541**	**162,732**	**188,914**	**247,601**
ASIA					
MIDDLE EAST:					
Iran	246	504	379	859	1,955
Israel	1,096	1,516	1,597	1,547	1,424
Jordan	202	150	230	163	201
Saudi Arabia	735	1,423	1,415	1,843	2,353
United Arab Emirates	8,627	7,560	10,716	18,856	19,918
Other .	2,829	4,779	4,963	7,257	7,074
Total	**13,734**	**15,932**	**19,300**	**30,525**	**32,925**
FAR EAST					
China(Mainland)	1,471	2,030	2,487	2,512	3,803
India	5,824	6,769	5,137	8,478	9,400
Indonesia	420	672	567	989	2,167
Japan	1,302	2,340	2,228	2,091	2,189
Korea South	318	210	262	177	489
Pakistan	13,531	13,935	15,172	18,069	21,010
Singapore	1,723	1,491	1,838	649	1,131
Other	7,905	13,862	12,246	18,111	22,337
Total	**32,493**	**41,310**	**39,935**	**51,075**	**62,525**
TOTAL, ASIA	**46,227**	**57,241**	**59,236**	**81,600**	**95,449**
AUSTRALIA & OCEANIC					
Australia	1,100	462	658	636	906
Other	132	219	257	131	119
TOTAL	**1,232**	**680**	**914**	**767**	**1,026**
All Other Countries	89	206	427	1,661	1,022
Aircraft and Ships Stores	3,251	3,077	1,703	3,051	3,483
TOTAL	**3,340**	**3,284**	**2,130**	**4,712**	**4,504**
TOTAL EXPORTS	**274,658**	**344,947**	**344,949**	**409,794**	**511,038**

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

*Provisional

[1]See Table 7.14 for details

Table 7.13: Value of Imports by Country of Origin, 2007-2011

KSh Million

DESCRIPTION	2007	2008	2009	2010	2011*
EUROPE					
WESTERN EUROPE					
European Union					
Belgium	6,230	8,188	7,044	7,642	10,716
Finland	5,027	5,343	4,298	14,167	4,792
France	16,491	16,390	15,885	18,652	19,872
Germany	22,166	26,946	22,729	26,367	31,981
Italy	13,223	12,538	13,889	11,981	14,514
Netherlands	9,304	13,218	17,444	18,465	22,500
Spain	4,270	3,385	4,003	3,255	6,377
Sweden	3,980	6,597	6,239	5,653	8,429
United Kingdom	29,419	27,976	36,885	37,869	43,208
Other	11,660	14,621	12,430	22,594	31,423
Total	**121,771**	**135,201**	**140,846**	**166,646**	**193,812**
Other Western Europe	9,309	13,652	10,700	13,779	34,161
Total Western Europe	**130,416**	**146,847**	**151,546**	**185,431**	**227,973**
EASTERN EUROPE					
Russian Federation	6,561	11,507	4,887	9,689	23,021
Other	3,466	6,098	15,444	8,795	4,369
Total	**10,027**	**17,606**	**20,331**	**18,484**	**27,390**
TOTAL, EUROPE	**141,095**	**166,459**	**171,878**	**203,914**	**255,362**
AMERICA					
U.S.A	44,523	27,549	50,056	39,316	44,566
Canada	2,901	4,532	6,139	7,068	7,445
Other	8,024	11,496	8,721	9,263	27,350
TOTAL AMERICA	**55,448**	**43,577**	**64,916**	**55,647**	**79,362**
AFRICA					
South Africa	35,355	46,691	70,561	59,781	71,281
Tanzania	6,678	7,265	7,809	10,549	15,670
Uganda	5,979	5,221	4,426	9,227	10,337
Other[1]	24,027	26,814	21,876	35,247	54,572
TOTAL AFRICA	**72,039**	**85,991**	**104,672**	**114,804**	**151,860**
ASIA					
MIDDLE EAST					
Iran	3,360	6,578	6,468	3,140	3,676
Israel	4,385	8,182	5,129	4,719	6,345
Jordan	812	450	551	767	830
Saudi Arabia	17,597	25,879	27,522	32,274	53,713
United Arab Emirates	89,466	113,810	89,709	116,045	199,390
Other	14,235	29,002	19,494	11,782	39,029
Total	**129,853**	**183,900**	**148,874**	**168,726**	**302,984**
FAR EAST					
China	45,672	63,474	74,524	120,648	144,050
India	56,817	90,531	83,243	103,242	148,772
Indonesia	18,764	22,928	18,774	26,955	45,350
Japan	41,129	44,840	48,857	58,244	58,684
Korea South	8,599	8,242	10,703	19,695	29,724
Pakistan	5,006	5,620	7,753	8,219	17,257
Singapore	9,352	24,958	26,419	31,739	31,375
Other	18,916	24,277	22,979	30,453	42,882
Total	**204,256**	**284,870**	**293,251**	**399,195**	**518,093**
TOTAL, ASIA	**334,108**	**468,770**	**442,125**	**567,921**	**821,076**
AUSTRALIA & OCEANIC					
Australia	1,527	1,394	2,184	3,230	2,321
Other	344	398	2,169	702	677
TOTAL	**1,871**	**1,792**	**4,354**	**3,932**	**2,998**
All Other Countries N.E.S.	569	155	152	987	5,013
TOTAL	**569**	**155**	**152**	**987**	**5,013**
GRAND TOTAL	**605,112**	**770,651**	**788,097**	**947,206**	**1,315,671**

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

*Provisional

[1]See table 7.14 for details

7.29. Kenya's trade with African countries is presented in Table 7.14. Common Market for Eastern and Southern Africa (COMESA) continued to be the dominant market for Kenya's exports. The share of exports to COMESA was 73.3 per cent of the total exports to Africa in 2011, mainly on account of tea and manufactured products (articles of plastics, iron and non-alloy steel, tobacco manufactures, animals and vegetable oils and fats). The major destinations of exports in COMESA bloc are Egypt, Sudan and Democratic Republic of Congo. The exports to the Democratic Republic of Congo increased by 37.1 per cent to stand at KSh 17,536 million in 2011 mainly driven by exports of articles of plastic and soap. The value of exports to Sudan rose by 17.7 per cent in 2011 while exports to Swaziland increased substantially to stand at KSh 155 million during the review period. This was partly on account of increased exports of medicaments valued at KSh 70 million.

7.30. Exports to the East African Community (EAC) increased by 35.4 per cent and accounted for 55.4 per cent of the total exports to Africa. Exports to Uganda accounted for 30.7 per cent of the total exports to Africa. In the review period, the value of exports to Rwanda, Tanzania and Burundi grew by 28.7, 25.7 and 8.2 per cent, respectively. The rise in exports to Rwanda was as a result of exports of petroleum products and of coated flat-rolled products of iron and non- alloy steel.

7.31. Exports to other African countries increased by 22.3 per cent to KSh 24,335 million in 2011. Exports to Lesotho increased from KSh 852 thousand in 2010 to KSh 16 million in 2011 mainly due to an increase in exports of medicaments from KSh 581 thousand in 2010 to KSh 13 million in 2011. Exports to Angola increased by 64.4 per cent while those to Reunion increased by 31.7 per cent in the year under review. However, the value of exports to Ghana declined by 37.8 per cent during the period under review.

7.32. In Africa, the most important trading partners for imports are EAC countries, Egypt and South Africa. Total import expenditure from COMESA increased by 34.8 per cent in 2011 compared to a growth of 62.2 per cent in 2010. Imports from Mauritius and Egypt which had recorded significant increases in 2010 declined by 15.1 and 2.9 per cent, respectively, in 2011. The decline in imports from Mauritius was partly due to reduced imports of butanes. Imports from Malawi went up from KSh 534 million to KSh 6,496 million in 2011 mainly as a result of imports of maize valued at KSh 5,198 million whereas none was imported the previous year. This was a shift from South Africa which has been the main source of Kenya's maize imports. Imports from Tanzania continued to record significant increases rising by 48.5 per cent in 2011 compared to a 35.1 per cent increase in 2010. Imports from Zimbabwe more than doubled to reach KSh 1,661 million in 2011 occasioned by rise in imports of unmanufactured tobacco. Notable increases in imports from the region were also recorded for Sudan, Seychelles and Zambia. The increase in imports from Sudan was caused by increase in sorghum imports during the review period. The value of imports from Algeria increased significantly from KSh 6 million in 2010 to KSh 248 million in 2011 partly on account of increase in imports of rice. Similarly, the value of imports from Somalia increased from KSh 19 million to KSh 143 million during the period under review, mainly on account of electrical machinery and apparatus.

Table 7.14: Trade with African Countries, 2007- 2011

KSh '000

ZONES/COUNTRIES	Total Exports					Total Imports				
	2007	2008	2009	2010	2011*	2007	2008	2009	2010	2011*
EAST AFRICAN COMMUNITY (EAC)										
Tanzania	22,325,810	29,223,947	30,086,582	33,211,109	41,743,395	6,677,909	7,265,089	7,809,234	10,548,967	15,670,393
Uganda	33,570,946	42,285,352	46,239,885	52,107,583	75,953,923	5,978,919	5,221,189	4,426,263	9,226,647	10,337,155
Rwanda[1]	5,801,234	8,953,198	9,535,976	10,535,060	13,554,840	88,696	25,327	240,070	430,122	422,246
Burundi[1]	2,423,978	3,479,476	4,597,172	5,458,011	5,903,760	152,770	78,159	92,653	144,855	468,845
Total, EAC	**64,121,968**	**83,941,972**	**90,459,615**	**101,311,763**	**137,155,917**	**12,898,294**	**12,589,764**	**12,568,221**	**20,350,591**	**26,898,639**
COMESA										
Comoros	224,138	391,642	437,716	467,055	769,775	7,070	-	-	113,734	107
Congo, D.R	8,307,968	9,852,453	11,323,667	12,791,660	17,536,632	1,526,791	985,009	879,448	1,330,290	2,559,008
Djibouti	2,264,322	799,248	711,718	926,041	1,046,052	1,797,904	1,525,001	44,305	3,214	2,858
Egypt	9,110,514	15,489,896	11,885,062	18,116,441	23,421,521	11,170,046	10,850,664	9,599,003	18,408,906	17,878,327
Eritrea	295,996	260,179	563,285	387,666	368,855	708	175,005	23,511	1,972	654
Ethiopia	3,434,281	4,362,771	4,318,774	4,384,842	4,826,340	141,605	201,348	237,896	247,569	369,149
Libya	616,399	32,754	76,144	17,856	29,539	3,713	7,499	11	1,995	30
Madagascar	627,347	418,646	705,457	342,650	682,872	60,662	29,271	477,999	475,833	885,731
Malawi	2,112,795	3,992,151	3,145,307	4,262,365	5,818,314	381,672	74,879	121,514	534,856	6,496,237
Mauritius	637,912	824,094	1,153,342	1,481,428	1,329,186	1,279,143	1,533,141	1,280,193	2,885,646	2,449,007
Seychelles	286,667	238,964	248,562	274,507	250,531	214,869	385,765	309,526	105,876	512,453
Sudan	11,589,457	14,073,437	12,762,795	18,814,689	22,153,665	11,277	162,979	11,638	167,691	818,847
Swaziland	3,554	1,726	2,823	11,474	155,613	3,297,527	4,987,810	5,042,765	3,907,481	4,861,621
Zambia	4,989,945	5,496,235	4,829,710	4,688,273	6,138,007	2,028,439	1,853,541	1,571,485	2,458,857	5,573,694
Zimbabwe	219,364	179,077	356,551	742,218	1,583,580	434,644	156,030	601,291	572,047	1,661,126
Sub-Total	**44,751,844**	**56,519,736**	**52,597,771**	**67,709,166**	**86,110,483**	**22,379,940**	**22,947,377**	**20,528,683**	**31,215,968**	**44,068,847**
Total, COMESA[2]	**86,548,003**	**111,237,762**	**112,970,805**	**135,809,820**	**181,523,005**	**28,600,325**	**28,272,052**	**25,287,670**	**41,017,592**	**55,297,094**
OTHER COUNTRIES										
Algeria	2,043	6,118	1,704	3,560	3,803	1,235	385,994	3,635	6,472	248,736
Angola	290,132	157,650	123,116	251,867	414,020	829	297	6,830	1,289	3,995
Ghana	409,735	477,502	591,045	675,596	420,369	73,020	9,820	31,636	84,526	24,829
Nigeria	1,640,402	3,168,499	1,865,382	1,593,966	1,805,115	122,098	169,855	182,481	125,710	164,690
Lesotho	51,921	1,311	16,562	852	16,371	628,043	939	133,658	20,767	40,317
Mozambique	681,267	869,507	1,126,207	773,884	810,041	195,284	279,906	104,152	982,783	1,514,448
Reunion	295,645	122,629	80,033	93,590	123,227	-	-	18,261	270	4,259
Somalia	8,330,378	12,848,237	11,214,883	13,054,341	16,598,814	12,103	30,161	1,694	19,448	143,870
South Africa	2,346,677	3,641,006	3,579,505	2,443,737	2,834,528	35,355,424	46,690,926	70,561,130	59,781,318	71,280,583
All Other African Countries	816,488	629,025	953,469	1,001,384	1,308,737	372,317	2,885,967	525,025	2,214,504	7,466,663
Sub-Total	**14,864,688**	**21,921,482**	**19,551,906**	**19,892,777**	**24,335,025**	**36,760,353**	**50,453,866**	**71,568,502**	**63,237,087**	**80,892,388**
TOTAL AFRICA	**124,028,632**	**162,540,840**	**162,732,409**	**188,913,707**	**247,601,425**	**72,038,587**	**85,991,007**	**104,672,235**	**114,803,646**	**151,859,874**
Percentage of all Exports/Imports	45.2	47.4	47.5	46.1	48.5	11.9	11.2	13.7	12.1	11.5

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional

[1]Rwanda and Burundi joined EAC in July 2007

Balance of Payments

7.33. Table 7.15 presents a summary of balance of payments outcomes for the period 2008 to 2011. Kenya's current account recorded a deficit of KSh 296,024 million in 2011 compared to a deficit of KSh 187,677 million in 2010. The widened current account deficit was a result of faster growth in merchandise imports as compared to exports. This may be attributed to the high crude oil prices on the global markets, Euro zone debt crises exposed vulnerabilities in Kenya's currency that resulted in the depreciation of the Kenya Shilling against major currencies. The current account deficit was almost offset by the capital and financial account surplus of KSh 289,640 million.

7.34. International trade in services, which comprises services such as transportation, insurance, travel, and business and finance services, and private and government transfers registered a surplus of KSh 173,913 million in 2011 up from a surplus of KSh 138,189 million registered in 2010. On the travel account, tourism earnings improved significantly to KSh 82,230 million in 2011 compared to KSh 63,393 million in 2010. Current transfers account flows rose by 49.4 per cent 2011 partly due to increase in remittances from the diaspora.

7.35. The capital and financial account recorded a surplus of KSh 289,640 million in 2011 compared to a surplus of KSh 186,001 million posted in the previous period. This increase was to support the widened current account deficit. Net foreign direct investments inflows increased from KSh 13,984 million in 2010 to KSh 28,936 million in 2011. The net deficit in the portfolio investment account widened from a deficit of KSh 2,294 million in 2010 to a deficit of KSh 5,094 million in 2011 following a bearish run at the Nairobi Securities Exchange.

Table 7.15: Balance of Payments, 2008-2011

KSh Million

	2008			2009			2010			2011*		
	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net
A. -CURRENT ACCOUNT												
1. Goods (f.o.b)	349,177	739,412	-390,235	350,285	734,302	-384,017	413,821	912,384	-498,563	515,686	1,261,738	-746,052
2. Transportation	88,882	59,478	29,404	83,484	65,036	18,448	130,512	73,922	56,589	154,564	94,086	60,478
3. Foreign Travel	52,032	18,375	33,658	53,366	17,536	35,830	63,393	16,787	46,606	82,230	17,507	64,724
4. Other Services - Private	33,396	37,183	-3,787	32,140	43,081	-10,942	44,134	53,246	-9,112	57,231	62,311	-5,080
5. Government Services, n.i.e.	50,562	11,581	38,981	53,924	11,783	42,141	59,896	15,790	44,106	70,075	16,284	53,791
6. Income	12,190	14,380	-2,190	12,972	16,426	-3,454	11,428	23,125	-11,697	25,710	25,091	620
7. Current Transfers	167,356	6,092	161,265	181,107	3,254	177,853	187,816	3,423	184,393	279,617	4,121	275,497
Government	15,239	1,630	13,609	26,242	1,702	24,540	19,361	1,910	17,452	17,721	1,824	15,897
Private	152,117	4,461	147,656	154,865	1,552	153,313	168,455	1,514	166,941	261,896	2,296	259,600
TOTAL CURRENT ACCOUNT	753,596	886,501	-132,905	767,277	891,417	-124,140	911,001	1,098,678	-187,677	1,185,114	1,481,138	-296,024
of which:												
Visible Balance	349,177	739,412	-390,235	350,285	734,302	-384,017	413,821	912,384	-498,563	515,686	1,261,738	-746,052
Invisible Balance	404,419	147,089	257,330	416,992	157,115	259,877	497,179	186,293	310,886	669,428	219,399	450,028
B. - CAPITAL & FINANCIAL ACCOUNT												
8.Capital Account	6,535	-	6,535	20,178	-	20,178	19,030	0	19,030	20,861	-	20,861
9.Direct Investment	6,612	3,028	3,585	8,893	3,557	5,336	14,109	125	13,984	29,774	838	28,936
10.Portfolio Investment	681	2,486	-1,805	216	1,831	-1,616	1,760	4,054	-2,294	2,116	7,210	-5,094
11.Other Investment	148,191	73,309	74,882	160,334	- 6,253	166,587	182,864	27,582	155,282	354,927	109,990	244,937
Long Term	83,476	34,349	49,127	115,646	26,744	88,902	94,786	35,172	59,614	137,711	49,929	87,781
Short Term	64,714	38,960	25,755	44,688	- 32,998	77,686	88,078	-7,590	95,668	217,217	60,061	157,156
TOTAL CAPITAL& FINANCIAL ACCOUNT	162,019	78,822	83,197	189,620	-865	190,485	217,763	31,762	186,001	407,678	118,038	289,640
C. -ERRORS AND OMISSIONS			16,547			8,835			13,901			28,225
D. -RESERVE ASSETS[1]												
12.Special Drawing Rights	-	-	-	-	-	-	-	-	-	-	-	-
13.Reserve Position in the Fund	32	-	32	-34	-	-34	20	-	20	5	-	5
14.Foreign Exhange	33,127	-	33,127	-75,122	-	-75,122	-12,302	-	-12,302	-21,826	-	-21,826
15.Other claims	3	-	3	-24	-	-24	57	-	57	-20	-	-20
TOTAL MONETARY MOVEMENTS	33,161		33,161	-75,180		-75,180	-12,225		-12,225	-21,841		-21,841

* Provisional.

Official reserves are now defined to exclude Commercial Banks' foreign assets.

7.36. Table 7.16 presents net changes in Balance of Payments (BOP) magnitudes for the period 2007 to 2011. Import of goods bill valued on f.o.b basis rose by KSh 349,354 million while export of goods receipts rose by KSh 101,865 million in 2011. The change in magnitude of net services and income rose by KSh 48,039 million mainly due to the increase in the net earnings from tourism and government services. The current account deteriorated by a deficit of KSh 108,346 million in 2011 compared to a shortfall of KSh 63,537 million recorded in 2010. The net long term capital flows increased markedly to a surplus of KSh 42,924 million in 2011 from a shortfall of KSh 29,288 million in the previous period. These developments caused the change in basic balance to register a deficit of KSh 51,438 million in 2011.

Table7.16: Changes in Balance of Payments, 2007-2011

KSh Million

	2007	2008	2009	2010	2011*
1. Exports Goods ……	+24,650	+71,003	+1,108	+63,536	+101,865
2 Imports Goods ……	-76,594	-174,732	+5,111	-178,083	-349,354
Transportation	+719	+5,643	+2,173	+38,141	+3,889
Travel	+7,153	-10,244	+2,173	+10,776	+18,118
Other Services	+1,007	+1,313	-7,155	+1,830	+4,032
Government services n.e.s.	+2,772	+15,774	+3,161	+1,965	+9,685
Income	-4,653	+7,516	-1,264	-8,243	+12,317
3. Services & Income (net) ……	+6,998	+20,001	-913	+44,468	+48,039
4. Current Transfers(net) ……	+13,238	+19,334	+16,588	+6,540	+91,104
5. Changes on current account ……	-31,708	-64,394	+21,894	-63,537	-108,346
6. Capital account ……	-1,584	-4,023	+13,642	-1,148	+1,831
7. Direct investment ……	+44,726	-43,067	+1,751	+8,648	14,952
8. Portfolio investment ……	+3,152	+3,470	+190	-679	-2,799
9. Other investment - Long term	+37,408	+4,857	+39,774	-29,288	+42,924
10. Change on basic balance (net balance on lines 5-9)	+51,994	-103,157	+77,251	-86,003	-51,438
11. Other investment - Short term	+5,937	-24,519	+51,931	+17,982	+28,167
12. Errors and ommision (net) ……	-35,798	+34,875	-7,712	+5,066	14,324
13. Net change on all above items (5 - 10) (Net changes on Reserves assets) ……	-18,804	+96,412	-108,341	+62,955	-9,616

* Provisional.

Notes:

1. A positive entry indicates a change that improves the balance of payments outcome; a negative enrty indicates a change worsening the BOP outcome. Thus, an increase in imports or reduction in exports are marked as negative
2. Exports and imports of goods are derived from Goods Account

International Liquidity

7.37. Table 7.17 presents foreign assets of the Monetary Authorities which includes international reserves. The international reserves of Central Monetary Authorities consist of reserves held by the Central Bank of Kenya (CBK) and the Treasury. The general increase witnessed in the total foreign reserves is a reflection of accumulation of foreign exchange reserves through the purchases of foreign exchange reserves from the domestic interbank market by CBK, and the disbursement of International Monetary Fund (IMF) loans under the Extended Credit Facility (ECF) to mitigate against the balance of payments imbalances. The international reserves steadily rose to KSh 359,970 million as at December 2011 from KSh 313,087 million as at December 2010. Net foreign assets of Central Bank increased from KSh 275,479 million as at December 2010 to KSh 308,488 million as at December 2011. The

reserve position in the IMF declined marginally to KSh 1,508 million as at December 2011 from KSh 1,610 million as at December 2010 while the Special Drawing Rights (SDRs) declined drastically from KSh 24,829 million to KSh 1,431 million during the same period. The foreign liabilities of the Central bank consisting of external banks' deposits and Use of Fund Credit rose substantially to stand at KSh 44,113 million as at December 2011 compared to a total of KSh 35,952 million as at December 2010. The fluctuations in the SDRs are as a result of allocation and conversions by IMF. Thus, the tremendous increase in the SDRs as at December 2010 reflected high SDRs allocation by IMF while the decline in the SDRs in the period under review reflects the conversion of the SDRs to the major usable foreign currencies namely the US Dollars and the Euro.

Table 7.17: Central Monetary Authorities: Foreign Exchange Reserves, 2007 – 2011

KSh Million

As at end of	Official Foreign Assets and Liabilities								
	Central Bank Of Kenya					Central Government			Foreign Reserves [1] of Central Monetary Authorities
	S.D.R.'s	Foreign Exchange (cash + gold)	External Banks' Deposits	Use of Fund Credit	Total Net Foreign Assets of Central Bank	Reserve Position in IMF	Other Holdings	Total Reserves of Central Government	
2007..	47	224,467	3,879	19,519	201,116	1,267	64	1,331	225,845
2008..	238	219,757	2,355	19,535	198,105	1,512	40	1,553	221,548
2009..	119	258,514	3,753	34,109	220,770	1,489	40	1,529	260,161
2010..									
January ..	118	254,413	3,933	33,838	216,761	1,521	40	1,561	256,093
February ..	-44	255,211	7,608	33,743	213,816	1,524	40	1,564	256,731
March	-44	254,487	4,046	33,529	216,869	1,514	40	1,554	255,998
April	-277	263,386	3,720	33,117	226,273	1,506	40	1,546	264,656
May	-282	254,951	3,559	33,357	217,753	1,517	39	1,557	256,226
June	26,272	279,724	3,763	34,061	268,172	1,508	40	1,548	307,544
July	25,928	280,403	3,504	33,639	269,188	1,577	66	1,643	307,974
August ..	25,818	284,340	4,335	33,615	272,208	1,583	63	1,646	311,804
September ..	26,457	288,788	4,018	34,539	276,688	1,627	59	1,686	316,931
October ..	26,465	289,054	4,266	34,632	276,621	1,643	56	1,699	317,218
November ..	25,913	287,418	4,552	33,702	275,077	1,599	50	1,649	314,981
December ..	24,829	286,602	2,330	33,622	275,479	1,610	46	1,656	313,087
2011..									
January ..	24,295	289,547	2,819	34,312	276,712	1,643	43	1,686	315,528
February ..	24,723	303,335	2,896	35,024	290,138	1,677	40	1,717	329,775
March	1,961	329,658	4,095	35,580	291,943	1,704	35	1,739	333,357
April	2,047	340,090	5,051	36,566	300,520	1,751	31	1,782	343,919
May	2,047	337,599	5,106	37,093	297,446	1,776	27	1,803	341,448
June	2,731	361,784	5,440	38,862	320,213	1,508	5,862	7,369	371,884
July	2,048	368,424	5,961	39,368	325,143	1,508	5,862	7,369	377,842
August ..	2,121	382,753	7,600	40,734	336,541	1,508	5,862	7,369	392,243
September ..	2,144	388,654	8,263	42,125	340,410	1,508	5,862	7,369	398,168
October ..	2,181	385,880	7,694	42,694	337,673	1,508	5,862	7,369	395,430
November ..	1,881	349,286	10,911	37,612	302,644	1,508	5,862	7,369	358,536
December ..	1,431	351,170	8,829	35,284	308,488	1,508	5,862	7,369	359,970

Source: Central Bank of Kenya

[1] Reserves constitute foreign assets which are readily available for meeting external financial needs

7.38. The end of period nominal exchange rates for selected world currencies as shown in Table 7.18 refers to the closing mean exchange rate for the last trading day of each year. The mean exchange rate is computed as a simple average of the mean buying and selling exchange

rate prevailing at any trading day. The trade weighted indices computations are based on a new basket of currencies with 2009 as the base year. Overall, the Kenyan Shilling weakened against most of the selected major trading currencies as reflected in the trade weighted exchange rate index, which rose by 1.9 per cent from 107.3 in 2010 to 109.3 in 2011. The depreciation of the Kenyan Shilling against the leading world currencies could be attributed to the rapid rise in prices of imported manufactured goods and crude oil mineral fuels imports coupled with the economic slowdown in Europe (Euro crisis). In addition, a 38.9 per increase in the import bill vis-a-vis a relatively slow growth of 24.7 per cent of export earnings contributed to a higher trade deficit, which in turn contributed to the depreciation of the Kenyan Shilling. The Shilling strengthened substantially against the South African Rand and Indian Rupee by 14.9 per cent and 6.7 per cent respectively, at the end of review period.

7.39. Within the East African Community, the Kenyan shilling gained against all the selected EAC currencies. The Shilling appreciated against the Rwandan Francs, Uganda Shilling and Tanzania Shilling by 45.5, 3.2 and 1.6 per cent respectively, as at 31 December, 2011.

Table 7.18: Foreign Exchange Rates (31st December) of Kenya Shilling for Selected Currencies, 2007-2011

Currency	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011
1 Euro2	90.1673	109.4822	108.9354	107.6281	110.0599
1 US Dollar	62.6750	77.7111	75.8200	80.7519	85.0681
1 Pound Sterling	124.3218	112.3472	121.8929	124.7669	131.1185
1 UAE Dirham	17.0656	21.1571	20.6417	21.9859	23.1610
1 Indian Rupee	1.5880	1.6091	1.6245	1.7132	1.5984
1 Chinese Yuan	8.5139	11.3834	11.1067	12.2462	13.4912
1 SA Rand	8.9502	8.2679	10.2225	12.2008	10.3872
100 Japanese Yen	54.9412	86.0654	82.0390	99.1234	111.2549
1 Saudi Riyal	16.6884	20.7064	20.2141	21.5316	22.6842
1 Egyptian Pound[1]	11.5233	13.1380	13.3037	13.5415	13.9019
TSh/KSh	17.9977	16.7930	17.6208	18.5136	18.8086
1 Pakistan Rupee[1]	1.0313	0.9107	0.8916	0.9056	0.9337
1 Swedish Kroner	9.4719	10.0317	10.6139	11.9789	12.3184
USh/KSh	27.0604	25.1252	25.0727	28.5691	29.5060
1 Congolese Franc[1]	0.1481	0.1120	0.0906	0.0881	0.0924
100 Rwanda Francs[1]	11.8516	13.0306	13.0226	13.0176	7.0886
Overall Weighted Index+					
2009=100	**87.60**	**99.07**	**100.00**	**107.29**	**109.33**

Source: Central Bank of Kenya

[1]Via US $ Exchange Rates (DR Congo, Egypt,Pakistan and Rwanda)

[2]Countries in the Euro area included in the computation of Trade Weighted Fisher's Ideal Index are: Germany, France, Switzerland, Netherlands, Belgium and Italy.

[3]Exchange rate on the last day of trading

+Revised

Developments in International Trade

Export Market Development

7.40. The Export Promotion Council (EPC) is a government agency whose mandate includes expansion and consolidation of market share in traditional and emerging markets. In line with this mandate the EPC organized and facilitated the participation of Kenya's exhibitors in eight major international trade fairs and exhibitions in Tanzania, China, Zambia, Uganda, DRC, Zimbabwe, USA (Specialty Coffee Association of America (SCAA)) and Mozambique during the review period. In addition, the agency initiated efforts to align its activities to the County

administrative units whose structures are being formalized with a view to identifying exportable products that can be streamlined into the export markets.

7.41. Several policy forums for bilateral and multilateral trade negotiations in order to ensure expansion of export markets for the country's products. The forums included the ACP-EU trade arrangements, the African Growth and Opportunity Act (AGOA), the Common Market for Eastern and Southern Africa (COMESA), and the East African Community (EAC) common market negotiations. Further, 24 statistical analyses were conducted aimed at identifying potential products and markets for expansion and diversification. The analytical reports were disseminated to the Ministry of Trade, Ministry of Foreign Affairs and Kenyan missions abroad to inform trade policy.

7.42. In order to boost the export supply base and competitiveness of the Micro, Small and Medium Enterprises (MSMEs) products, 13 Export Production Villages were established. This was achieved through export coaching, outreach visits, local study tours and market linkages. Further, to enhance development, value addition and marketing of the export products, JICA supported the training of about 750 producers and exporters through seminars and workshops. In the same period, the EPC developed a website, www.buyfromkenya.com , with the aim of exposing the beneficiary firms to the vast opportunities availed through enhanced international visibility for their products and ease of transacting business.

Chapter 8

Agriculture

Overview

Most parts of the country experienced erratic weather conditions resulting in reduced aggregate production in 2011. This situation was aggravated by high cost of agricultural production occasioned by rising farm inputs prices and the depreciation of the Kenya Shilling. Tea and horticultural produce contributed more than a half of the total value of marketed crop output. The value of marketed horticultural produce improved from KSh 56,993.0 million in 2010 to KSh 68,123.9 million in 2011 mainly due to better international prices. The value of marketed milk increased by 28.2 per cent from KSh 11,346.4 million in 2010 to KSh 14,548.4 million in 2011, largely driven by increased milk supply in Central and Rift Valley areas and better prices paid to farmers.

Agricultural Output and Input

8.2. Maize production decreased by about one million bags to 34.4 million bags in 2011. The decline in maize production was attributed to unfavourable weather, delayed provision of fertilizer and certified hybrid seeds to farmers in the market. Consequently, the quantity of maize imports increased by 56.4 per cent from 229.6 thousand tonnes valued at KSh 5,471.2 million in 2010 to 359.2 thousand tonnes valued at KSh 11,479.0 million in 2011. Coffee production decreased by 13.6 per cent from 42.0 thousand tonnes in 2009/10 crop year to 36.3 thousand tonnes in 2010/11. Production of tea decreased by 5.3 per cent from 399.0 thousand tonnes in 2010 to 377.9 thousand tonnes in 2011. The volume of marketed milk increased by 6.5 per cent from 515.7 million litres in 2010 to 549.0 million litres in 2011.

8.3. As shown in Table 8.1 and Figure 8.1, the sector's output value at current prices increased by 30.2 per cent from KSh 678,088 million in 2010 to KSh 883,086 million in 2011. During the same period, the value of intermediate consumption increased by 17.5 per cent from KSh 152,354 million in 2010 to KSh 179,085 million in 2011, respectively. Consequently, value added at current prices increased by 33.9 per cent to KSh 704,001 million in 2011. The sector's output value at constant prices increased by 1.8 per cent from KSh 402,450 million in 2010 to KSh 409,845 million in 2011 while the value of intermediate consumption increased by 2.8 per cent to KSh 97,804 million in 2011. Similarly, the value added at constant prices increased by 1.5 per cent from KSh 307,305 million in 2010 to KSh 312,041 million in 2011.

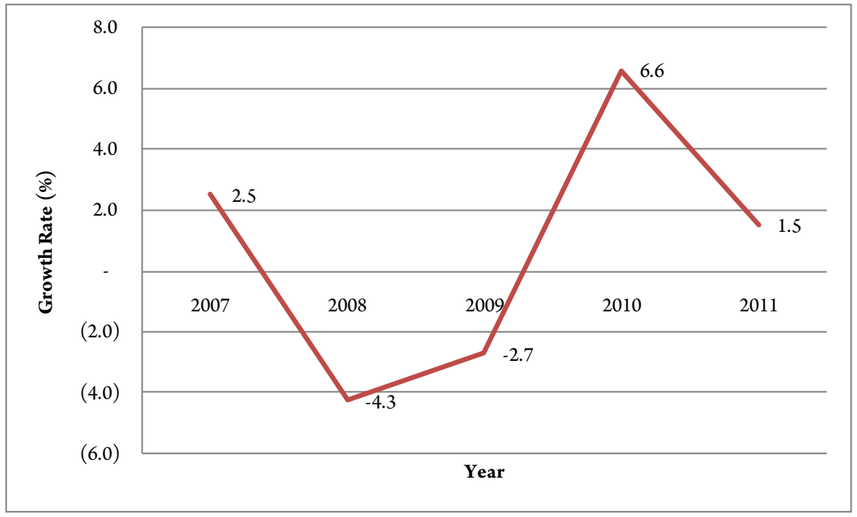
Table 8.1: Agricultural Output and Input, 2007 - 2011

KSh million

	2007	2008	2009	2010	2011*
PRODUCTION AT CURRENT PRICES					
Output at basic prices	500,370	600,880	666,446	678,088	883,086
Intermediate consumption	119,334	146,579	129,697	152,354	179,085
Value added at basic prices, gross	381,036	454,302	536,749	525,734	704,001
PRODUCTION CONSTANT PRICES					
Output	400,160	384,278	375,445	402,450	409,845
Intermediate consumption	90,673	87,960	87,171	95,144	97,804
VALUE ADDED, GROSS	309,487	296,319	288,273	307,305	312,041

* Provisional

Figure 8.1: Trend of Agriculture Gross Value Added (GVA), Growth Rate, 2007 – 2011



Marketed Production

8.4. Table 8.2 shows the value of marketed production in the agricultural sector for the period 2007 to 2011. Total value of marketed production at current prices increased by 15.6 per cent to stand at KSh 292,625.1 million in 2011. This was mainly due to better prices for most of the marketed commodities and increased production of some of the commodities such as rice, sisal and livestock products. Overall, the value of marketed crops increased by 16.5 per cent from KSh 197,792.5 million in 2010 to KSh 230,415.3 million in 2011, contributing 73.8 per cent of the aggregate marketed production. The value of marketed cereals rose by 26.7 per cent to KSh 20,281.4 million in 2011. The drought experienced during the first half of year resulted in higher disposal of livestock within the arid and semi-arid areas. This partly contributed to the significant increase in the value of livestock and livestock products.

8.5. The value of marketed maize more than doubled from KSh 5,070.3 million in 2010 to KSh 10,145.5 million in 2011 mainly as a result of higher prices paid to farmers. Unfavourable weather experienced in wheat growing areas resulted in reduced production of the commodity thereby resulting in a decline of 45.1 per cent in value of marketed wheat from KSh 5,541.5 million in 2010 to KSh 3,045.0 million in 2011. Consequently, wheat imports increased by 18.2 per cent from 848.1 thousand tonnes valued at KSh 17,450.7 million in 2010 to 1,002.7 thousand tonnes valued at KSh 31,371.3 million in 2011. The value of marketed fresh horticultural produce increased from KSh 56,993.0 million in 2010 to KSh 68,123.9 million in 2011 partly due to increased production coupled with better prices in the export markets. The value of flowers and vegetables exported increased by 25.2 and 7.2 per cent, respectively in 2011. The effects of adverse weather were more than offset by improved tea prices resulting in a 13.9 per cent increase in the value of marketed tea from KSh 87,960.1 million in 2010 to KSh 100,145.5 million in 2011. Similarly, better international coffee prices resulted in a 15.4 per cent increase in earnings from KSh 15,449.9 million in 2010 to KSh 17,826.3 million in 2011. The dual effect of increased quantity and price of marketed milk resulted in a 28.2 per cent rise in the value of dairy produce from KSh 11,346.4 million in 2010 to KSh 14,548.4 million in 2011.

Table 8.2: Recorded Marketed Production at Current Prices, 2007 - 2011

KSh million

	2007	2008	2009	2010	2011*
CEREALS-					
Maize	7,969.2	8,326.6	4,566.4	5,070.3	10,145.5
Wheat	3,074.1	2,613.8	3,614.9	5,541.5	3,045.0
Others	3,574.3	2,458.1	3,422.7	5,390.2	7,090.9
Total	14,617.6	13,398.4	11,604.0	16,002.0	20,281.4
HORTICULTURE[1]-					
Cut flowers	43,101.5	39,765.9	30,815.0	35,557.5	44,506.1
Vegetables	22,354.3	16,128.7	16,253.6	18,646.4	19,991.1
Fruits	1,797.9	2,071.2	2,283.5	2,789.1	3,626.7
Total	67,253.7	57,965.8	49,352.2	56,993.0	68,123.9
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	11,704.3	12,291.1	15,367.7	17,665.5	18,615.6
Pyrethrum	98.6	91.9	51.6	63.8	133.4
Others	808.5	786.5	1,166.0	1,560.6	2,775.8
Total	12,611.4	13,169.5	16,585.3	19,289.9	21,524.8
PERMANENT CROPS-					
Coffee	9,089.9	6,859.3	9,563.7	15,449.9	17,826.3
Tea	43,887.0	55,383.1	64,684.8	87,960.1	100,145.5
Sisal	1,492.9	1,451.4	1,495.0	2,097.7	2,513.3
Total	54,469.8	63,693.8	75,743.5	105,507.6	120,485.2
TOTAL CROPS	148,952.5	148,227.5	153,284.9	197,792.5	230,415.3
LIVESTOCK AND PRODUCTS-					
Cattle and Calves ..	17,251.0	22,834.0	24,057.0	31,892.5	30,253.5
Dairy Produce ..	8,462.2	8,368.7	11,496.7	11,346.4	14,548.4
Chicken and eggs	2,575.5	2,788.8	4,344.6	5,011.9	5,553.0
Others	4,726.0	4,904.4	5,195.4	7,009.3	11,854.9
Total	33,014.7	38,895.9	45,093.7	55,260.2	62,209.8
GRAND TOTAL	181,967.2	187,123.4	198,378.6	253,052.7	292,625.1

* Provisional.

[1]Data refers to fresh Horticultural exports only

8.6. The overall agricultural price index increased from 200.3 in 2010 to 213.5 in 2011 as shown in Table 8.3. All crops recorded better prices as reflected by the upward movement of the price indices. The price index for permanent crops increased from 191.8 in 2010 to 245.1 in 2011 in response to higher prices paid for coffee, tea and sisal. However, the quantum index for these crops decreased from 125.7 in 2010 to 117.8 in 2011 due to the effects of adverse weather which affected tea and coffee production. The quantum index for cereals went up from 92.7 in 2010 to 97.7 in 2011, on account of increased marketed maize during the review period. The quantum index of temporary industrial crops similarly declined from 146.8 in 2010 to 139.9 in 2011. The quantum index of horticulture decreased from 248.9 in 2010 to 245.5 in 2011 largely as a result of the prolonged drought that affected most parts of the country.

Table 8.3: Volume and Price Indices of Sales to Marketing Boards, 2007 - 2011

Base: 2001=100

		2007	2008	2009	2010	2011*
QUANTUM INDICES	Cereals	117.8	81.0	65.9	92.7	97.7
	Temporary Industrial Crops	129.4	126.5	142.2	146.8	139.9
	Horticulture	213.2	214.1	197.3	248.9	245.5
	Permanent Crops	120.9	110.4	101.1	125.7	117.8
	TOTAL CROPS	129.4	120.0	113.1	138.2	133.5
	Livestock and Products	169.7	171.0	179.5	179.5	216.0
TOTAL GROSS MARKETED PRODUCTION		149.1	144.9	143.2	170.8	173.8
PRICE INDICES	Cereals	126.6	174.9	171.5	143.4	177.6
	Temporary Industrial Crops	108.2	115.1	131.7	149.5	155.0
	Horticulture	133.1	115.4	105.9	96.8	117.2
	Permanent Crops	99.9	127.0	162.5	191.8	245.1
	TOTAL CROPS	104.6	120.8	139.6	152.5	189.0
	Livestock and Products[1]	176.5	218.5	246.4	250.3	266.4
TOTAL GROSS MARKETED PRODUCTION		139.7	168.5	191.7	200.3	213.5

* Provisional.

[1]Data on livestock is from slaughter houses

8.7. The average gross commodity prices paid to farmers are shown in Table 8.4. Coffee price increased significantly to stand at KSh 59,452.9 per 100 kilogramme in 2011. This was attributed to scarcity of the commondity in the world market leading to better international prices. The average price of 100 Kilogrammes of maize sold rose by 45.2 per cent to KSh 2,499.9 in 2011. The price for marketed milk increased by 20.5 per cent from KSh 22.0 per litre in 2010 to KSh 26.5 per litre in 2011.

Table 8.4: Average Gross Commodity Prices[1] to Farmers, 2007 -2011

KSh per stated unit

	UNIT	2007	2008	2009	2010	2011*
Coffee	100 Kg	17,391.00	17,721.96	19,544.42	39,677.94	59,452.85
Tea	,,	11,874.01	16,015.17	21,264.05	22,044.78	26,499.65
Sisal	,,	6,068.11	6,539.59	5,886.93	6,672.07	9,119.72
Sugar-cane	Tonne	2,249.00	2,400.00	2,739.00	3,094.00	3,487.00
Pyrethrum (Pyrethrin equivalent)	Kg	7,373.29	7,372.27	7,373.00	10,975.46	18,999.86
Seed Cotton	100 Kg	2,045.20	2,440.43	2,600.00	4,800.00	6,500.00
Maize	,,	1,566.35	2,445.37	2,391.33	1,721.35	2,499.92
Wheat	,,	2,858.90	3,183.24	2,936.83	2,913.76	3,017.42
Beef (third grade)	,,	14,546.28	15,334.80	15,609.26	16,273.10	20,000.00
Pig meat	,,	11,317.80	12,900.85	14,023.90	14,485.39	17,014.90
Milk	100 litres	2,000.00	2,100.00	2,828.00	2,200.00	2,650.00

* Provisional.

[1] The prices refer to calendar year and may differ from those based on crop years. In the case of tea and coffee , the prices are for black tea and processed coffee respectively.

8.8. Table 8.5 shows the sales of agricultural produce to the marketing boards by large and small farms for the last five years. The share of sales by small farms increased from 70.2 per cent in 2010 to 70.8 per cent in 2011, reflecting the significance of the smallholders in agricultural production. Value of output from large farms increased by 13.0 per cent from KSh 75,536 million in 2010 to KSh 85,329 million in 2011. Conversely, the value of small farms' sales to marketing boards increased by 16.8 per cent from KSh 177,516 million in 2010 to KSh 207,296 million in 2011.

Table 8.5: Sale to Marketing Boards from Large and Small Farms, 2007 - 2011

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	
2007	48,986	16.07	132,982	21.45	181,967	19.95	73.08
2008	49,794	1.65	137,330	3.27	187,123	2.83	73.39
2009	58,323	17.13	140,055	1.98	198,379	6.01	70.60
2010	75,536	29.51	177,516	26.75	253,053	27.56	70.15
2011*	85,329	12.96	207,296	16.78	292,625	23.87	70.84

* Provisional.

8.9. Price and quantum indices for various agricultural inputs purchased are shown in Table 8.6. The overall price index rose from 158.3 in 2010 to 177.0 in 2011, in response to the increased costs of inputs. Price index for all material inputs rose from 159.8 in 2010 to 179.4 in 2011, with that of fertilizer exhibiting the highest rise followed by manufactured feeds. Contrally, most quantum indices declined during the review period on account of reduced supply of fertilizer, bags and manufactured feeds.

Table 8.6: Agricultural Input Indices, 2007 - 2011

Base: 2001=100

	2007	2008	2009	2010	2011*
QUANTUM INDICES-					
Fertilizers	216.6	189.5	162.5	205.8	198.6
Fuel and Power	70.7	71.8	49.3	61.6	67.8
Bags	66.9	52.1	72.7	103.7	68.7
Manufactured Feeds	296.3	341.9	367.7	270.2	212.6
Purchased Seeds	171.6	192.5	188.4	166.1	191.9
Other Material Inputs	129.5	145.3	142.1	125.3	110.4
Total Material Input	155.0	220.6	172.5	132.1	142.0
Service Inputs	147.5	264.9	217.3	166.3	159.8
TOTAL INPUTS	147.1	151.5	179.8	141.2	149.9
PRICE INDICES-					
Fertilizers	120.3	235.7	204.8	198.1	255.5
Fuel and Power	131.4	178.9	135.9	147.5	179.2
Bags	155.1	193.9	173.0	116.8	141.2
Manufactured Feeds	142.9	167.4	168.1	159.4	202.5
Purchased Seeds	96.5	92.3	88.4	90.6	102.2
Other Material Inputs	170.3	162.9	133.0	136.2	153.6
TOTAL MATERIAL INPUT	129.4	167.1	146.5	159.8	179.4
SERVICE INPUTS	145.2	187.5	159.2	173.7	195.0
TOTAL INPUTS	128.3	165.7	145.1	158.3	177.0

* Provisional.

8.10. The costs of various inputs used in the agricultural sector for the period 2007 to 2011 are shown in Table 8.7. Total value of agricultural inputs sold increased by 21.0 per cent from KSh 32,422.7 million in 2010 to KSh 39,233.9 million in 2011. The value of fertilizer purchased increased by 56.1 per cent to KSh 9,397.4 million in 2011 while that of fuel and power consumed rose by 58.6 per cent from KSh 9,818.3 million in 2010 to KSh 15,570.8 million in 2011. This is partly attributable to high electricity tariffs, high pump prices and

depreciation of the Kenya Shilling. Fertilizer, fuel and power contributed more than 60 per cent of the total value of input sales to the agricultural sector. The drought experienced during the review period adversely affected the sales of manufactured animal feeds. During the year under review, sales of certified seeds decreased by 21.0 per cent to KSh 3,337.9 million in 2011 mainly due to inadequate supply during the 2011 long rains planting season.

Table 8.7: Value of Purchased Agricultural Inputs[1], 2007 - 2011

KSh million

	2007	2008	2009	2010	2011*
MATERIAL INPUTS-					
Fertilizers	3,594.9	6,160.2	5,680.1	6,021.9	9,397.4
Other Agricultural Chemicals	1,389.0	1,258.4	3,941.0	4,307.0	3,362.1
Livestock Drugs and Medicines	942.0	857.4	1,856.0	1,467.2	1,382.7
Fuel and Power	5,399.8	7,262.0	9,770.0	9,818.3	15,570.8
Bags	604.0	428.8	520.8	425.0	267.3
Manufactured Feeds	2,038.0	4,849.0	5,543.5	4,453.0	3,910.8
Purchased Seeds	2,547.7	3,661.0	3,182.1	4,227.0	3,337.9
Other Material Inputs	453.0	651.0	565.8	536.2	592.6
Total	16,968.5	25,127.7	31,059.3	31,255.6	37,821.6
SERVICE INPUTS	680.5	1,007.7	1,244.9	1,167.1	1,412.3
TOTAL INPUTS	17,649.0	26,135.4	32,304.2	32,422.7	39,233.9

*Provisional.

[1]Excluding labour.

8.11. Table 8.8 provides prices and terms of trade indices for the period 2007 to 2011. The output price index increased from 134.7 in 2010 to 143.6 in 2011. However, indices of purchased inputs and consumer goods in rural areas rose faster to reach 177.0 and 336.1, respectively in 2011. Consequently, overall agriculture terms of trade worsened from 68.5 in 2010 to 56.0 in 2011.

Table 8.8: Price and Terms of Trade Indices for Agriculture, 2007 - 2011

Base: 2001=100

	2007	2008	2009	2010	2011*
General Index of Agricultural Output Prices	108.4	113.5	128.3	134.7	143.6
PRICE PAID					
Purchased Inputs	123.9	143.7	145.1	158.3	177.0
Index of Purchased Consumer Goods-Rural Areas	162.2	205.3	225.9	235.0	336.1
INDICES OF PRICES PAID	143.1	174.5	185.5	196.7	256.5
Agricultural Sector terms of Trade	75.8	65.0	69.2	68.5	56.0

* Provisional.

8.12. Table 8.9 shows estimated production of major food crops for the last five years. Production of maize decreased slightly by 3.9 per cent from 35.8 million bags in 2010 to 34.4 million bags in 2011. Beans produce increased by 48.8 per cent as a result of favourable weather in beans growing areas. Production of millet also increased by a third from 0.6 million bags in 2010 to 0.8 million bags in 2011. However, production of sorghum remained constant at 1.8 million bags during the year under review.

Table 8.9: Estimated Production of Selected Agricultural Commodities, 2007 – 2011

CROP	Unit	2007	2008	2009	2010	2011*
Maize	million bags	32.5	26.3	27.1	35.8	34.4
Beans	"	3.5	2.9	5.2	4.3	6.4
Potatoes	million tonnes	2.8	2.2	2.6	3.1	2.4
Sorghum	million bags	1.8	0.6	1.1	1.8	1.8
Millet	"	0.9	0.4	0.6	0.6	0.8

Source: Ministry of Agriculture

* Provisional

8.13. Table 8.10 shows the average retail prices for selected food crops for the last five years. Nationally, the price of maize increased to KSh 42.8 per kilogram in September 2011 from KSh 17.5 per kilogram in September 2010. Coast Province recorded the highest price change for maize during the month of March from KSh 30.0 per kilogram in 2010 to KSh 37.7 per kilogram in 2011 while Central had the lowest price change over the same period. During the month of September 2011, Nairobi Province recorded the highest price of maize compared to other regions. The price of beans increased in all provinces in September 2011 compared to the same period in 2010. Similarly, the price of sorghum and finger millet increased in all the regions over the same period. Potato prices increased during the month of March 2011 in all regions compared to the same period in 2010.

Table 8.10: Retail Market Prices for Selected Food Crops, 2007 - 2011

KSh per Kg

CROP	REGION	2007		2008		2009		2010		2011	
		MAR	SEPT	MAR	SEPT	MAR	SEPT	MAR	SEPT	MAR	SEPT
MAIZE	Nairobi	19.8	17.9	23.4	32.6	47.1	38.2	31.2	20.8	23.6	48.4
	Central	16.5	15.4	18.4	32.7	36.2	35.0	25.8	17.6	27.0	43.5
	Coast	21.6	20.2	22.4	38.0	33.0	30.0	30.0	25.0	37.7	47.6
	Eastern	12.5	12.1	16.8	30.8	33.5	31.7	19.7	15.3	23.4	40.8
	Nyanza	13.0	12.4	18.8	26.0	31.8	31.8	25.1	15.8	26.4	39.8
	Rift Valley	15.3	18.6	19.0	26.5	31.5	35.0	27.8	17.7	25.2	41.4
	Western	14.3	14.6	19.3	24.7	32.4	38.2	24.5	17.9	27.7	33.4
`	Total	16.0	15.8	19.5	29.8	36.5	36.7	25.4	17.5	29.3	42.8
BEANS	Nairobi	46.8	40.1	59.7	86.1	83.6	87.8	73.3	64.5	72.7	92.7
	Central	38.6	40.7	53.7	74.5	70.6	67.2	66.2	63.4	69.9	79.2
	Coast	43.7	40.8	61.0	75.0	78.0	70.0	65.0	56.7	78.8	87.9
	Eastern	32.7	35.8	54.6	71.1	75.0	70.0	57.1	53.5	66.9	71.7
	Nyanza	32.6	36.6	59.0	67.1	59.1	58.6	62.4	51.7	59.7	68.7
	Rift Valley	36.7	36.0	53.1	56.0	67.5	70.0	63.1	53.7	66.9	72.5
	Western	34.5	37.4	60.4	62.0	72.5	74.5	63.8	53.4	65.2	67.6
	Total	37.9	38.5	57.2	68.9	74.1	84.2	64.2	56.3	70.2	77.9
FINGER MILLET	Nairobi	42.0	50.0	65.2	85.9	67.1	49.0	51.8	54.9	64.0	73.9
	Central	45.2	46.0	54.0	43.2	74.8	65.8	68.3	57.3	68.0	81.3
	Eastern	36.9	39.6	36.3	53.8	56.5	75.0	72.3	61.5	68.3	75.1
	Nyanza	31.8	32.1	51.2	57.4	43.5	58.7	58.7	48.8	60.8	57.8
	Rift Valley	31.9	35.0	43.2	41.8	46.9	50.0	60.0	47.7	62.3	67.5
	Western	29.6	36.0	59.8	55.3	64.3	59.0	66.2	56.4	63.1	58.9
	Total	35.8	40.0	49.8	53.8	62.0	53.3	62.3	53.3	68.1	67.6
SORGHUM	Nairobi	35.6	39.2	40.2	42.5	59.9	37.0	37.1	37.6	38.0	46.0
	Central	28.2	38.0	40.3	39.7	56.6	58.0	47.8	42.6	42.1	60.4
	Eastern	21.1	13.8	21.2	30.5	64.0	65.0	33.0	30.5	38.1	48.6
	Nyanza	15.8	17.1	28.0	28.3	39.5	32.5	29.1	22.4	29.4	43.3
	Rift Valley	25.0	42.5	29.2	48.2	51.2	52.0	38.8	37.5	42.2	56.9
	Western	20.9	22.7	30.2	33.1	40.9	46.0	33.8	33.6	38.2	43.5
	Total	22.9	28.9	30.7	39.6	56.6	47.5	36.0	32.8	41.9	49.6
POTATOES	Nairobi	11.0	11.3	20.9	15.5	44.6	11.7	11.9	15.1	15.1	29.6
	Central	11.1	11.7	21.9	16.8	28.5	24.3	14.4	21.6	29.0	15.8
	Coast	28.3	29.6	38.0	34.6	37.4	38.0	34.5	36.7	41.6	33.0
	Eastern	18.3	17.3	24.4	23.2	29.8	17.8	16.8	29.5	30.6	28.5
	Nyanza	20.7	14.4	21.0	20.0	23.8	22.0	13.5	19.5	27.6	24.0
	Rift Valley	19.9	18.0	30.9	18.5	21.8	19.0	12.9	24.2	21.7	17.4
	Western	8.7	9.0	23.9	37.5	34.0	29.0	22.4	25.6	34.7	30.0
	Total	18.6	17.0	27.4	23.4	31.2	13.7	14.7	23.1	31.7	26.3

8.14. Table 8.11 shows sales of agricultural produce to various marketing boards from 2007 to 2011. There was a notable decrease in the deliveries of most crops to the marketing boards due to decreased production in 2011. Sale of wheat, coffee, tea and sugarcane decreased by 47.0, 22.9, 5.3 and 7.0 per cent, respectively. However, the quantity of maize sold increased by 37.7 per cent from 294.6 thousand tonnes in 2010 to 405.8 thousand tonnes in 2011. However, sale of cotton almost doubled from 11.8 thousand tonnes to 22.0 thousand tones while that of pyrethrum extract increased by 20.7 per cent to 7.0 tonnes in 2011. Sisal deliveries increased by 21.1 per cent from 22.8 thousand tonnes in 2010 to 27.6 thousand tonnes in 2011, while sale of rice paddy increased by 10.7 per cent.

Table 8.11: Sale of Selected Crops to Marketing Boards, 2007 – 2011

CROP	UNIT	2007	2008	2009	2010	2011*
Maize[1]	'000 tonnes	508.8	340.5	191.0	294.6	405.8
Wheat[2]	"	107.5	82.1	123.1	190.2	100.9
Coffee	"	52.3	38.7	48.9	38.9	30.0
Tea	"	369.6	345.8	304.2	399.0	377.9
Cotton[2]	"	3.3	2.7	14.9	11.8	22.0
Sugar-cane[2]	mn. tonnes	5.2	5.1	5.6	5.7	5.3
Pyrethrum (extract equivalent)	tonnes	13.4	12.5	7.0	5.8	7.0
Sisal	'000 tonnes	24.6	22.2	21.5	22.8	27.6
Rice Paddy[2]	"	32.3	24.3	22.6	44.0	48.7

* Provisional.

[1] Includes purchases by NCPB and millers.

[2] Deliveries to factories and ginneries.

8.15. **Wheat:** Table 8.12 presents the production and import of wheat from 2007 to 2011. During the year under review, the production of wheat decreased by 47.0 per cent from 199.7 thousand tonnes in 2010 to 105.9 thousand tonnes in 2011. The decrease was attributed to erratic rains in most wheat growing areas which delayed planting during the long rain season. Imports of wheat continued to increase for the third consecutive year as a result of low production recorded in 2011 coupled with the high demand for wheat products.

Table 8.12: Production and Imports of Wheat, 2007 - 2011

'000 Tonnes

YEAR	PRODUCTION[1]	IMPORTS	TOTAL
2007	112.9	564.3	677.2
2008	86.2	538.5	624.7
2009	129.2	781.7	910.9
2010	199.7	848.1	1,047.8
2011*	105.9	1,002.7	1,108.6

* Provisional.

[1] Includes retention for seed.

8.16. **Coffee**: Table 8.13 shows area, production and average yield of coffee by type of grower from crop year 2006/07 to 2010/11. For the third year running, the area under coffee bushes remained constant at 160 thousand hectares. Production declined by 13.6 per cent to stand at 36.3 thousand tonnes in 2010/11. Coffee production from estates recorded the highest decline of 15.2 per cent. The low production was mainly attributed to erratic weather conditions coupled with high pest and disease incidences; high cost of inputs; declining soil fertility and change of land use to real estates. Subsequently, the average yield of co-operatives and estates declined by 12.4 and 15.4 per cent in 2011, respectively.

Table 8.13: Production, Area, and Average Yield of Coffee by Type of Grower, 2006/07 - 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11*
AREA ('000 Ha)					
Co-operatives	121	118	120	120	120
Estates	42	37	40	40	40
TOTAL	163	155	160	160	160
PRODUCTION ('000 Tonnes)					
Co-operatives	28.4	22.3	29.4	22.3	19.6
Estates	25.0	19.7	24.6	19.7	16.7
TOTAL	53.4	42.0	54.0	42.0	36.3
AVERAGE YIELD (Kg/Ha.)					
Co-operatives	235	189	270	186	163
Estates	595	532	616	493	417

Source: Coffee Board of Kenya

* Provisional

8.17**. Tea:** Table 8.14 presents annual performance of the tea sub-sector from 2007 to 2011. The area planted increased by 9.2 per cent from 171.9 thousand hectares in 2010 to 187.8 thousand hectares in 2011, with that under estates increasing by 13.4 per cent. During the review period, production of tea decreased by 5.3 per cent from 399.0 thousand tones in 2010 to 377.9 thousand tones in 2011. Production by smallholder farmers and estates declined by 2.8 and 8.4 per cent, respectively in 2011. Most tea growing regions received depressed and poorly distributed rainfall during the second quarter, besides relatively hot and dry weather conditions in the first quarter. Out of the total production, the smallholder sub-sector contributed 57.8 per cent. However, the average yield by smallholder farmers decreased from 2,291 Kg/ha in 2010 to 2,040 kg/ha in 2011 while that of estates declined from 3,412 Kg/ha in 2010 to 3,149 kg/ha in 2011.

Table 8.14: Production, Area and Average Yield of Tea by Type of Grower, 2007 - 2011

	2007	2008	2009	2010	2011*
AREA ('000 Ha)					
Smallholder	98.2	107.1	107.3	115.0	123.3
Estates	51.0	50.6	51.1	56.9	64.5
TOTAL	149.2	157.7	158.4	171.9	187.8
PRODUCTION ('000 Tonnes)					
Smallholder	229.6	210.9	172.6	225.0	218.6
Estates	140.0	135.0	141.5	174.0	159.3
TOTAL	369.6	345.8	314.1	399.0	377.9
AVERAGE YIELD (Kg/Ha)[1]					
Smallholder	2,658.0	2,397.0	1,862.0	2,291.0	2,040.0
Estates	3,105.0	2,768.0	2,909.0	3,412.0	3,149.0

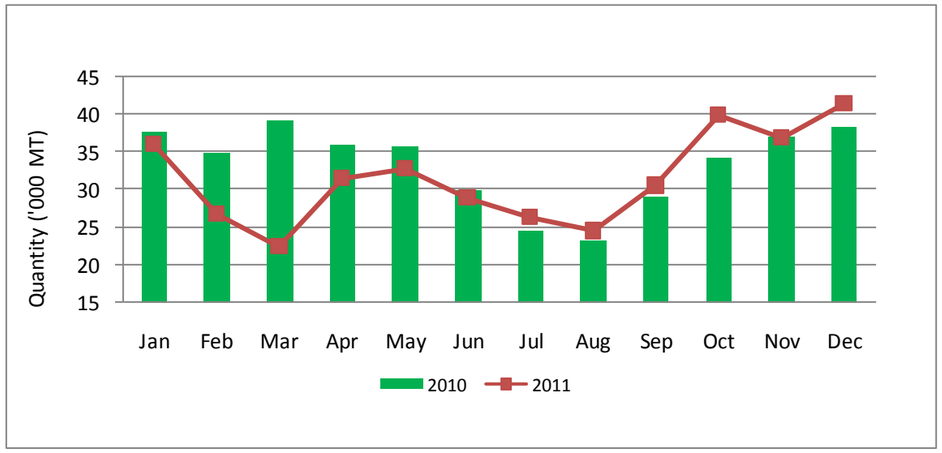
Source: Tea Board of Kenya

* Provisional

[1] Obtained by dividing current production by the area four years ago

8.18. Figure 8.2 reflects the monthly tea production for 2010 and 2011. During the first quarter of 2011, tea production decreased drastically as compared to a corresponding period in 2010, with the March recording the lowest production. However, production increased from September to October 2011 as compared to a similar period in 2010. Thereafter, production reduced in November to pick-up again in December 2011. Low production in the months of June to August is associated with the cold season experienced that affected tea bushes.

Figure 8.2: Monthly Tea Production, 2010 - 2011



8.19. During the year under review, the volume of tea exports decreased by 4.5 per cent from 441.0 thousand tonnes recorded in 2010 to 421.2 thousand tonnes in 2011. However, owing to improved prices and depreciation of the Kenya Shilling, earnings rose by 12.0 per cent from KSh 97.7 billion in 2010 to KSh 109.4 billion in 2011. The average export unit price in 2011 was US Dollar 2.99 per kg with an exchange rate of KSh 88.6, compared to US Dollar 2.75 per kg at an exchange rate of KSh 79.2 recorded in 2010.

8.20**. Sugarcane:** The sugar sub-sector registered significant declines in key production indicators as shown in Tables 8.15 and 8.16. The area harvested decreased by 6.7 per cent from 68.7 thousand hectares in 2010 to 64.1 thousand hectares in 2011. This led to a reduction in the quantity of sugar cane produced from 5,709.6 thousand tonnes in 2010 to 5,338.6 thousand tonnes in 2011. However, the area under cane plantation expanded to 179.3 thousand hectares in 2011 from 157.6 thousand hectares in 2010. The increase in cropped area is as a result of expansion in Butali Zone where the Butali Sugar Factory started operations during the year under review. In 2011, the average sugarcane yield was estimated at 58.9 tonnes per hectare compared to 63.5 tonnes per hectare recorded in 2010, a decrease of 7.4 per cent. The poor performance was mainly occasioned by cane shortage and a severe drought in the sugar belt which adversely affected the cane productivity.

Table 8.15: Area under Sugar Cane, Area Harvested, Production, and Average Yield, 2007 - 2011

	2007	2008	2009	2010	2011*
Area under cane (Ha)	158,568	169,421	154,298	157,583	179,269
Area harvested (Ha)[1]	59,201	54,465	65,774	68,738	64,091
Production (Tonnes)	5,204,214	5,112,040	5,610,702	5,709,586	5,338,562
Average yield (Tonnes/Ha)	70.87	72.94	65.21	63.55	58.94

Source: Kenya Sugar Board

* Provisional

[1] Excludes area harvested by non-contracted farmers

8.21**.** Sugar production dropped for the second consecutive year in 2011 leading to constrained

supply of the commodity in the domestic market and subsequent high prices**.** A total of 487.0 thousand tonnes of sugar was produced in 2011, a 7.0 per cent decrease compared to the 523.7 thousand tonnes milled in the preceding year. In order to boost the supply of sugar, 139.1 thousand tonnes of sugar was imported in 2011. Despite the depressed production of the commodity, local factories exported 16.7 thousand tonnes of sugar compared with 0.1 tonnes exported in the previous year. The bulk of the exports were by Mumias Sugar Company in order to meet conditions of the Interim Economic Partnership Agreement (IEPA) with the European Union. Total consumption of sugar was estimated to have risen by 11.0 thousand tonnes to reach 783.7 thousand tones in 2011.

Table 8.16: Production, Imports and Consumption of Sugar, 2007 – 2011

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
2007	520.4	230.0	741.2	20.8
2008	517.7	218.6	751.5	44.3
2009	548.2	184.5	762.0	2.0
2010	523.7	258.6	772.7	0.05
2011*	487.0	139.1	783.7	16.7

Source: Kenya Sugar Board

*Provisional

8.22**. Horticulture:** The horticulture sub-sector witnessed a marginal decrease in production during the year under review. This was however compensated by the increase in earnings which improved by 19.7 per cent from KSh 56.9 billion in 2010 to KSh 68.1 billion in 2011. Since 2010, the three broad categories of horticultural produce showed varying trends with cut flowers and fruits recording increases in volume while vegetables declined by 9.9 per cent to 68.1 thousand tonnes. Over the same period, the value of cut flower exports improved by 25.0 per cent to KSh 44.5 billion in 2011, accounting for 65.3 per cent of the total export values. Both volume and value of fruits went up by 14.2 and 28.6 per cent, respectively in 2011, compared to 2010. The performance of the horticulture sub-sector was mainly spurred by strong demand of horticultural produce in the European market while the weak Kenya Shilling supported the accelerated rise in returns from horticultural sales in foreign markets.

Table 8.17: Exports of Fresh Horticultural Produce[1], 2007 - 2011

	CUT FLOWERS		FRUITS		VEGETABLES		TOTAL	
YEAR	Volume 000 Tonnes	Value KSh billion	Volume 000 Tonnes	Value KSh billion	Volume 000 Tonnes	Value KSh billion	Volume '000 Tonnes	Value KSh billion
2007	91.2	43.1	15.7	1.8	85.3	22.4	192.2	67.3
2008	93.7	39.8	17.1	2.1	82.4	16.1	193.2	58.0
2009	87.0	30.8	21.2	2.3	72.5	16.3	180.7	49.4
2010	120.2	35.6	32.5	2.8	75.6	18.6	228.3	56.9
2011*	121.9	44.5	37.1	3.6	68.1	20.0	227.1	68.1

Source: Horticultural Crops Development Authority

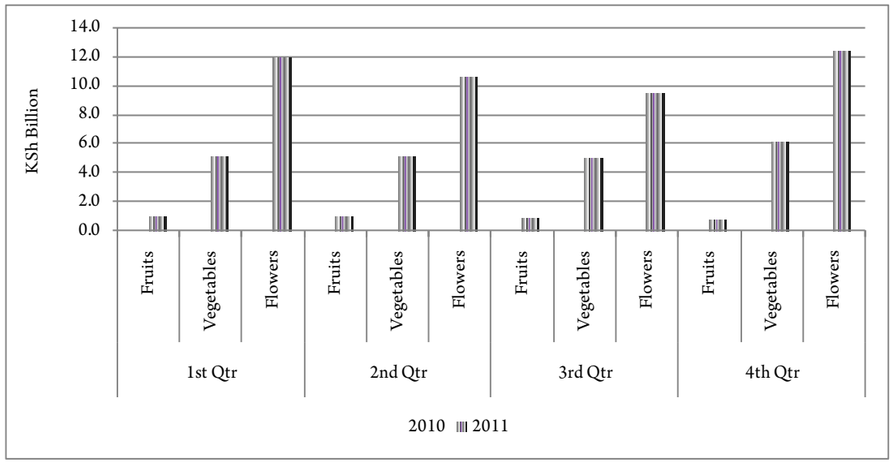
* Provisional.

[1] Excludes exports of processed horticultural produce and nuts.

8.23**.** Table 8.17 shows that cut flowers are the dominant horticultural trade commodity in terms of both quantity and value. In the year under review, cut flowers accounted for more than half of total horticultural export values. In monetary terms, out of the KSh 11.2 billion increase in the value of fresh horticultural exports in 2011, cut flowers contributed KSh 8.9 billion.

8.24. Figure 8.3 presents a comparison of the export values of fruits, vegetables and cut-flowers by quarter for 2010 and 2011. Higher export values were recorded for the three horticultural products in the first and fourth quarter of 2011. In 2011, cut flowers recorded the highest value of exports in the fourth quarter while the lowest value was recorded in the third quarter. The highest variability in values across quarters was observed for cut flower exports in the review period.

Figure 8.3: Value of Fresh Horticultural Exports by Quarter, 2010 - 2011



8.25**. Irrigation:** The growth witnessed in activities within irrigation schemes in 2010 continued in 2011 as shown in Table 8.18 with production and the area cropped increasing in all schemes areas. Over this period, expansion activities mainly in Mwea, Bura and Hola Schemes resulted in an additional 3,490 hectares being placed under crop production. The National Irrigation Board (NIB) also invested in the rehabilitation of irrigation infrastructure and expansion of scheme areas in the Arid and Semi-Arid Lands (ASAL) region of Turkana where a total of 367 hectares were cropped in Katilu, Lokubae and Elelea Irrigation Schemes. The total value of output from all scheme areas rose from KSh 4,338 million in 2010 to KSh 5,472 million in 2011, an increase of 26.1 per cent. Similarly, payments to plot holders rose by 31.9 per cent to reach KSh 4,140 million in 2011. The total number of plot holders increased by 2.0 per cent to 15,828 farmers over the review period. These changes resulted in notable improvements in rice paddy production across all irrigation schemes with total paddy yield increasing by 10.7 per cent from 72,500 tonnes in 2010 up to 80,244 tonnes in 2011. Mwea Scheme remains the leading producer of rice, accounting for about two thirds of all paddy production, while Bunyala Scheme recorded the highest increase in rice production. The improved performance in the irrigation schemes is mainly as a result of continued investment by the NIB in expanding irrigation activities coupled with collaboration by stakeholders. As part of efforts to mitigate the high input costs to farmers, the NIB reduced the price of rice seeds from KSh 100 to KSh 80 per Kilogram during the year.

Table 8.18: Production at Irrigation Schemes, 2006/07 - 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11*
MWEA-					
Area cropped-Hectares	8,325	7,806	7,431	10,526	10,629
Plot-holders-Number[1]	7,267	7,257	4,936	7,178	7,178
Gross value of output-KSh million ..	1,544	2,121	1,782	2,860	3,510
Payments to plot-holders-KSh million ..	919	1,450	1,341	2,080	2,700
ALL SCHEME AREAS-					
Area cropped-Hectares	9,626	9,092	10,072	17,611	21,101
Plot-holders-Number	8,766	8,716	8,931	15,518	15,828
Gross value of output-KSh million ..	1,604	2,160	2,097	4,338	5,472
Payments to plot-holders-KSh million ..	941	1,457	1,535	3,138	4,140
CROPS PRODUCED - Tonnes					
Mwea-Paddy	51,458	38,560	32,406	52,000	54,000
Ahero-Paddy	851	0	2,939	6,000	7,484
W.Kano-Paddy	124	938	692	4,500	5,994
Bunyala-Paddy	682	567	1,161	3,200	4,666
Others (S.W Kano)				6,800	8,100
TOTAL PADDY	53,113	40,065	37,198	72,500	80,244

Source: National Irrigation Board

*Provisional

[1] Includes farmers outside Mwea Scheme

8.26. **Dairy Produce:** Table 8.19 presents data on the production of livestock and dairy products. The quantity of milk delivered to processors continued on an upward trend for the third consecutive year. Following increased commercial milk production, raw milk uptake by processors rose from 515.7 million litres in 2010 to 549.0 million litres in 2011. This improved performance is partly attributable to availability of pasture in the highlands dairy farming regions and increased processing capacities in the country in 2011. The quantity of processed milk and cream has maintained a steady upward trend for the last three years, rising to 374.0 million litres in 2011. Production of butter and ghee recorded a marginal growth during the year while the quantity of cheese rose from 263.2 tonnes in 2010 to 290.3 tonnes in the review period.

8.27. **Livestock products**: Frequent dry spells in the rangelands resulted in diminished availability of pasture in the pastoral areas. High demand for meat products and the resultant good prices led to increased disposals of animals with the number of cattle slaughtered rising from 1,923.5 thousand in 2010 to 2,103.4 thousand in 2011. However, the total number of goats and sheep slaughtered across the country decreased by 5.3 per cent to reach 5,837.5 thousand head in the same period. The number of pigs slaughtered increased from 217.2 thousand in 2010 to 223.5 thousand in 2011 mainly due to increased demand for bacon and sausages.

Table 8.19: Production of Livestock and Dairy Products, 2007 - 2011

	UNIT	2007	2008	2009	2010	2011*
RECORDED MILK PRODUCTION	Mn. Litres	423.1	398.5	406.5	515.7	549.0
MILK PROCESSED:						
Milk and cream	Mn. Litres	282.0	262.2	323.1	358.2	374.0
Butter and ghee	Tonnes	1,752.1	1,217.7	1,079.6	1,967.4	1,995.1
Cheese	"	215.0	154.7	187.7	263.2	290.3
LIVESTOCK SLAUGHTERED						
Cattle and Calves..	'000 Head	1,719.9	1,891.9	2,057.0	1,923.5	2,103.4
Sheep and Goats	"	5,013.7	5,424.8	5,716.0	6,162.8	5,837.5
Pigs	"	166.7	197.5	221.0	217.2	223.5

* Provisional

8.28. **Agricultural Training:** Table 8.20 presents data on enrolment in public agricultural training institutions. The total number of degree level agriculture students increased by 34.8 per cent from 4,949 students in 2010 to 6,672 in 2011. Enrolment in Moi and Nairobi Universities rose rapidly during the year, recording increases of 43.1 and 41.6 per cent, respectively. Egerton and Jomo Kenyatta Universities reported lower rates of enrolment growth over the same period. Egerton University had the largest share of degree level agricultural trainees followed by Nairobi University while Jomo Kenyatta had the lowest share of 11.4 per cent.

8.29. A similar trend was observed at diploma level training in Bukura Institute where enrolment level increased by 46.8 per cent to 709 students. Enrolment for diploma courses in Egerton University declined by 2.2 per cent during the year under review. The total number of trainees in Naivasha Dairy Training Institute rose from 104 in 2010 to 142 students in 2011 following expansion of learning facilities during the year. Over the same period, the total number of trainees in the animal health colleges recorded a drop following a notable decline in enrolment in Ndomba Training Institute. The number of attendants for seminars and short courses offered by Naivasha Dairy Training School almost tripled from 50 in 2010 to 134 in 2011 mainly as a result of increased staff conferences and in-service short courses. The Meat Training School in Athi River registered a lower number of trainees in 2011.

Table 8.20: Enrolment in Agricultural Training Institutions, 2007 – 2011

Number

	2007			2008			2009			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi……	990	324	1,314	850	354	1,204	920	386	1,306	1,017	433	1,450	1,363	690	2,053
Moi ……	994	362	1,356	998	385	1,383	1,002	435	1,437	564	257	821	807	368	1,175
Jomo Kenyatta (JKUAT)….	417	202	619	489	245	734	546	345	891	444	217	661	467	291	758
Egerton……	1,856	856	2,712	1,905	884	2,789	2,045	1,056	3,101	1,378	639	2,017	1,756	930	2,686
Total……	**4,257**	**1,744**	**6,001**	**4,242**	**1,868**	**6,110**	**4,513**	**2,222**	**6,735**	**3,403**	**1,546**	**4,949**	**4,393**	**2,279**	**6,672**
DIPLOMA LEVEL -Public Universities															
Egerton……	1,330	657	1,987	1,210	634	1,844	1,410	834	2,244	1,543	1,027	2,570	1,585	928	2,513
Total……	**1,330**	**657**	**1,987**	**1,210**	**634**	**1,844**	**1,410**	**834**	**2,244**	**1,543**	**1,027**	**2,570**	**1,585**	**928**	**2,513**
DIPLOMA LEVEL - MOA															
Bukura Institute of Agriculture	256	118	404	199	102	301	92	99	191	354	129	483	483	226	709
CERTIFICATE LEVEL-															
Kilifi Institute of Agiculture[1] ..	141	75	216	-	-	-	-	-	-	-	-	-	-	-	-
Naivasha Dairy Training Institute	69	37	106	58	43	101	55	47	102	70	34	104	94	48	142
Total……	**210**	**112**	**322**	**58**	**43**	**101**	**55**	**47**	**102**	**70**	**34**	**104**	**94**	**48**	**142**
Animal Health Training Institutes-															
Kabete	104	33	137	90	26	116	90	26	116	92	28	120	98	24	122
Nyahururu	49	26	75	52	28	80	51	27	78	50	25	75	53	27	80
Ndomba	106	60	166	124	56	180	84	63	147	117	53	170	112	41	153
Total……	**259**	**119**	**378**	**266**	**110**	**376**	**225**	**116**	**341**	**259**	**106**	**365**	**263**	**92**	**355**
SHORT-TERM VOCATIONAL COURSES-															
Naivasha Dairy Training School	95	36	131	63	17	80	69	43	112	46	4	50	93	41	134
Athi River M.T. School	47	26	73	67	19	86	66	28	94	68	30	98	53	16	69
Total……	**142**	**62**	**204**	**130**	**36**	**166**	**135**	**71**	**206**	**114**	**34**	**148**	**146**	**57**	**203**

Source: Ministry of Agriculture , Ministry of Livestock, Public Universities and Institutions

* Provisional.

[1] Kilifi Institute of Agiculture became an affiliate of JKUAT from 2008.

8.30. As presented in Table 8.21, the total number of societies and unions rose by 7.3 per cent from 13,256 in 2010 to 14,228 in 2011. Overall, a total of 972 additional co-operative societies and unions were registered with almost half of these being savings and credit societies. Most categories of agricultural societies registered growth in their numbers except cotton and farm purchase societies whose numbers remained unchanged. The number of unions remained stable with two additional unions registered in 2011. Poor performance in pyrethrum production in the recent past has resulted in minimal co-operative activity directed at the crop with only one co-operative society registered in the review period. At the same time, fisheries based societies registered four additional co-operative societies.

Table 8.21: Number of Societies and Unions by Type, 2007 - 2011

Number

TYPE OF SOCIETY	2007	2008	2009	2010	2011*
Coffee	546	548	555	567	586
Sugar-cane	152	152	159	162	179
Pyrethrum	146	146	146	146	147
Cotton	59	59	59	60	60
Dairy	258	264	273	278	313
Multi-produce	1,876	1,923	1,894	1,924	1,974
Farm Purchase..	114	114	114	114	114
Fisheries	67	67	67	72	76
Other Agricultural Societies	1,196	1,204	1,317	1,363	1,398
TOTAL	**4,414**	**4,477**	**4,584**	**4,686**	**4,847**
Savings and Credit..	5,122	5,350	5,628	6,267	6,902
Other Non-Agricultural Societies	2,000	2,041	2,094	2,200	2,374
TOTAL	**7,122**	**7,391**	**7,722**	**8,467**	**9,276**
Unions	99	100	101	103	105
GRAND TOTAL	**11,635**	**11,968**	**12,407**	**13,256**	**14,228**

Source: Ministry of Co-operative Development and Marketing

* Provisional

8.31. Details of sales of produce from co-operative societies are presented in Table 8.22. Four of the five agricultural products recorded marginal increases in the value of their sales, with the total value of sales rising from KSh 10,377 million in 2010 to KSh 10, 433 million in 2011. The value of sales of coffee from co-operative societies declined by KSh 33 million during the review period.

Table 8.22: Sale of Selected Agricultural Produce by Co-operatives and their Contribution to Gross Farm Revenue, 2007 – 2011

YEAR	COFFEE	SUGAR CANE	PYRETHRUM	COTTON	MILK	TOTAL
			Sale KSh million			
2007..	4,887	213	75	2.0	2,395	7,572
2008..	3,815	214	64	2.0	2,482	6,577
2009..	4,898	266	45	2.1	3,704	8,915
2010..	4,839	267	47	2.6	5,221	10,376
2011*..	4,806	268	47	3.2	5,310	10,433
			Percentage Share of sector total			
2007..	53.8	2.0	76.1	3.0	28.3	26.9
2008..	55.6	1.7	69.7	3.0	29.7	23.7
2009..	51.2	1.7	72.7	3.5	32.2	25.3
2010..	31.3	1.5	74.3	6.9	46.0	23.3
2011*..	27.0	1.4	35.2	4.9	36.5	19.9

* Provisional.

Chapter 9

Environment and Natural Resources

Overview

Conservation, sustainable exploitation and management of the environment and natural resources continue to pose major challenges to the Government. During the period under review, the Government continued to pursue policies and development programmes aimed at ensuring proper and orderly resource management, and enhance adaptation capacity to the impacts of climate change. Total development expenditure on water supplies and related services is projected to grow by 14.0 per cent from KSh 31,095.3 million in 2010/11 financial year to KSh 35,434.4 million in 2011/12 mainly as a result of increased funding levels to the urban and rural water programmes. Total fish landings grew by 5.8 per cent to 149.0 thousand tonnes in 2011 from 140.8 thousand tonnes in 2010 mainly as a result of higher yields from fish farming. The quantity of minerals produced increased by 13.0 per cent from 1,496.3 thousand tonnes in 2010 to 1,690.3 thousand tonnes in 2011. The forest plantation stocking improved from 118.8 thousand hectares in 2010 to 121.7 thousand hectares in 2011 mainly due to improved management of forest resources. The population of various wildlife herbivores declined during the period under review.

Water Supply

9.2. The Ministry of Water and Irrigation (MWI) continued to pursue development programmes geared towards increasing water and sanitation coverage through construction and rehabilitation of water, sewerage and irrigation infrastructure. Some of the water projects completed during the year include the construction of Maruba dam in Machakos, Kisumu Water Supply Project, rehabilitation of Sasumua dam and Olbanita water project in Nakuru thus increasing access to water services. Four medium sized multi-purpose dams namely Kiserian in Kajiado, Umma in Kitui, Chemasusu in Koibatek and Badassa in Marsabit are in different phases of completion. Other projects undertaken during the year include rehabilitation of irrigation schemes among them Ahero, Mwea, Hola and Bura, and construction of 75 new small holder irrigation schemes across the country.

9.3. The Government in collaboration with other stakeholders continued to increase access to safe water through drilling of boreholes (BHs) and maintenance of Water Purification Points (WPPs) across the country as shown in Table 9.1. During the review period, an additional WPP was recorded as a result of completion and commissioning of Kisumu Water Supply Project in Nyanza Province. Regions with high number of WPPs include Rift-Valley, Central, Western, Nyanza and Eastern Provinces. However, the numbers of boreholes drilled in 2011/12 were 89 compared to 95 drilled in 2010/2011. The highest number of boreholes drilled was located in Rift-Valley, Eastern, Nyanza and North-Eastern Provinces with 32, 19, 12 and 11 boreholes, respectively.

Table 9.1: Water Purification Points (WPP) and Boreholes (BHs) Drilled 2007/08 - 2011/12

	2007/08		2008/09		2009/10		2010/11		2011/12*	
Province	**WPP**	**BH**	**WPP**	**BH**	**WPP**	**BH**	**WPP**	**BH**	**WPP**	**BH**
Central	34	7	38	7	38	5	41	3	41	3
Coast	8	15	8	5	8	11	8	5	8	5
Eastern	28	36	29	32	31	29	31	28	31	19
N/Eastern	7	67	7	14	7	17	7	18	7	11
Nyanza	33	4	34	8	34	6	35	10	36	12
Rift Valley	43	32	43	34	45	26	46	23	46	32
Western	33	3	33	0	35	3	40	8	40	7
Nairobi	-	6	-	15	-	-	-	-	-	-
TOTAL	**186**	**170**	**192**	**115**	**198**	**97**	**208**	**95**	**209**	**89**

Source: Ministry of Water and Irrigation

* Provisional

BH - Borehole (drilled by Government and Private sectors)

9.4. Development expenditure on water supplies and related services over the period 2007/08 to 2011/12 is shown in Table 9.2. Total development expenditure is projected to grow by 14.0 per cent from KSh 31,095.3 million in 2010/11 to KSh 35,434.4 million in 2011/12. The increase in funding to the water and irrigation sub-sector is mainly attributed to the high priority accorded to the sub-sector in the Medium Term Plan (MTP).

9.5. Capital expenditure on water development is projected to grow by 19.1 per cent from KSh 21,756.5 million in 2010/11 to KSh 25,906.8 million in 2011/12. The increased funding was mainly for the development of urban water supplies infrastructure undertaken by the water services boards. The increased funding of the National Water Conservation and Pipeline Corporation (NWCPC) by 9.9 per cent was mainly in the area of water conservation and dam construction. Likewise, funding to the rural water supplies is expected to increase by 13.2 per cent from KSh 1,308.7 million in 2010/11 to KSh 1,481.1 million in 2011/12. However, spending by the National Irrigation Board (NIB) declined for the second consecutive year from KSh 2,358.7 million in 2010/11 to KSh 1,835.0 million in 2011/12.

Table 9.2: Development Expenditure on Water Supplies and Related Services, 2007/08 - 2011/12

KSh million

Item	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12+**
Water Development	4,448.5	9,989.0	13,822.0	21,756.5	25,906.8
Training of Water Development Staff	40.0	25.0	33.0	26.4	70.0
Rural Water Supplies	80.0	1,056.7	1,044.8	1,308.7	1,481.1
Miscellaneous and Special Water Programmes	1,218.0	178.0	216.0	206.0	205.0
National Water Conservation and Pipeline Corporation	1,733.5	3,002.2	4,034.2	4,677.0	5,140.0
Irrigation Development	474.4	629.7	487.2	761.9	796.5
National Irrigation Board	420.0	410.0	2,626.7	2,358.7	1,835.0
TOTAL	**8,414.4**	**15,290.6**	**22,263.9**	**31,095.3**	**35,434.4**

Source: Ministry of Water and Irrigation & National Water Conservation and Pipeline Corporation

+ Estimates

Fisheries

9.6. The Government adopted a strategy to expedite commercial aquaculture growth through a collaborative and participatory approach, involving both public and private sectors under Public-Private Partnerships (PPPs). During the year, the total quantity of fish landed in the country increased by 5.8 per cent to 149.0 thousand tonnes from 140.8 thousand tonnes in 2010 as shown in Table 9.3. The quantity of fresh water fish landed increased by 6.2 per cent to

140.5 thousand tonnes from 132.3 thousand tonnes in 2010. The increase was mainly attributed to increase in fish landed from fish farming and Lake Turkana.

9.7. Production from fish farming increased significantly from 12.2 metric tonnes in 2010 to 19.3 metric tonnes in 2011. This was mainly attributed to increase in area of farmed fish as a result of the Government funded fish farming through the Economic Stimulus Package (ESP). Under the programme, 27,391 fish ponds were constructed and stocked with over 23.5 million fingerlings thereby increasing the area under aquaculture to 14,076 hectares in 2011. Similarly, fish landed from Lake Turkana increased to 7.3 thousand tonnes in 2011 from 6.4 thousand tonnes in 2010 occasioned by commercialization of fishing activities.

Table 9.3: Quantity and Value of Fish Landed, 2007-2011

Quantities - Tonnes:	2007	2008	2009	2010	2011*
Freshwater fish					
Lake Victoria. ..	117,231	111,369	108,934	111,868	111,619
Lake Turkana . ..	5,122	8,070	9,445	6,430	7,250
Lake Naivasha	203	225	688	209	217
Lake Baringo	173	262	191	53	158
Lake Jipe	96	109	109	103	106
Tana River	1,112	1,302	584	583	943
Fish Farming	4,245	4,452	4,895	12,153	19,265
Other areas . ..	706	883	828	946	916
TOTAL ...	**128,888**	**126,672**	**125,674**	**132,345**	**140,474**
Marine fish . ..	6,355	7,561	7,024	7,283	7,422
Crustaceans	618	578	407	519	549
Other marine products.	494	597	495	604	601
GRAND TOTAL .	**136,355**	**135,408**	**133,600**	**140,751**	**149,046**
Value - KSh million					
Freshwater fish .	8,029	10,718	12,274	14,547	15,831
Marine fish . ..	422	541	557	612	630
Crustaceans . ..	145	147	127	149	156
Other marine products	43	49	44	61	61
TOTAL	**8,640**	**11,454**	**13,002**	**15,369**	**16,678**

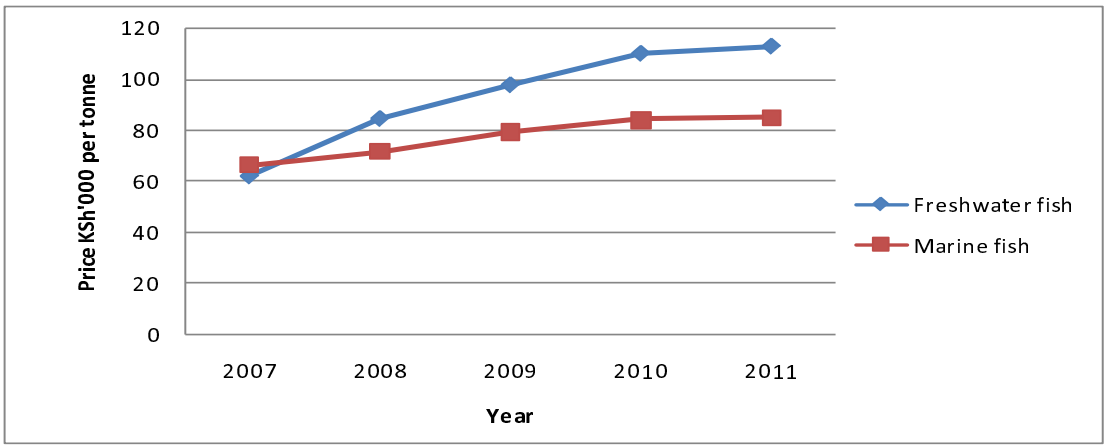
Source: Fisheries Department

* Provisional

9.8. The fishing industry has continued to record improved performance in terms of earnings from fish landings over the last five years. Total earnings from fish landed rose from KSh 15,369.0 million in 2010 to KSh 16,678.0 million in 2011. The value of fresh water fish increased from KSh 14,547.0 million in 2010 to KSh 15,831.0 million in 2011, accounting for 94.9 per cent of the total revenue generated from the fisheries sub-sector in 2011.

9.9. The trend in average price of fish resources is shown in Figure 9.1. The average price for freshwater and marine fish has maintained an upward trend over the last five years. Average price per tonne of fresh water fish increased from KSh 109.9 thousand in 2010 to KSh 112.7 thousand in 2011 while that of marine fish increased from KSh 84.0 thousand in 2010 to KSh 84.9 thousand in 2011. The favourable prices were attributed to increased demand for fish in both domestic and export markets.

Figure 9.1: Average Price of Fish for Freshwater and Marine, 2007 - 2011



Forestry

9.10. During the year, the Government through the Kenya Forest Service (KFS), intensified rehabilitation and conservation efforts of the natural forests. Some of the achievements in the sub-sector in 2011 were restoration of the degraded forests and continued tree planting campaigns in gazetted forests and individual farms.

9.11. As shown in Table 9.4, the total forest plantation stocking increased by 2.4 per cent from 118.8 thousand hectares in 2010 to 121.7 thousand hectares in 2011. A total of 8.0 thousand hectares were planted with trees compared to 9.6 thousand hectares in 2010. The decrease in area planted was attributed to trimming down of Kazi Kwa Vijana (KKV) under ESP funding in the forestry sub-sector thereby affecting the tree planting for industrial use. The area clear felled/ logged was 3.9 thousand hectares in 2011 compared to 2.8 thousand hectares in 2010. The increase is as a result of the KFS decision to get rid of written-off trees due to fire damages and windfalls. Planting failure/forest fires damaged a big section of forest plantation in 2011, consuming 1.2 thousand hectares.

Table 9.4: Government Forest Plantation Stocking, 2007-2011.

'000 Ha

Stocking	2007	2008	2009	2010	2011*
Previous Plantation Area.[1].	105.4	107.2	108.9	112.7	118.8
Area Planted..	5.5	5.7	3.5	9.6	8.0
Total	110.9	112.9	112.4	122.3	126.8
Area Clear felled	2.0	3.0	1.8	2.8	3.9
Planting failures/fire damages	1.7	1.0	3.0	0.7	1.2
Total Area	**107.2**	**108.9**	**112.7**	**118.8**	**121.7**

Source: Kenya Forest Service

* Provisional

[1] Opening stock at the beginning of the year

9.12. Total sale of timber increased by 2.0 per cent from 420.5 thousand true cubic metres in 2010 to 428.7 thousand true cubic metres in 2011 as shown in Table 9.5. The rise in sale of timber may be attributed to increased demand for softwoods which rose from 401.2 thousand true cubic metres in 2010 to 419.2 thousand true cubic metres in 2011.

9.13. The sale of the hardwoods category of forest products was 9.5 thousand true cubic metres

in 2011 compared to 19.3 thousand true cubic metres in 2010. The continued sale of hardwood despite an enforced total ban on logging of this category is mainly as a result of harvesting of trees to provide for the way-leave for expansion of power lines through areas covered by indigenous forests. However, there was a notable decline in the sale of fuel-wood/charcoal from the government forests. The reduced sale of power and telegraphic poles could be attributed to intense competition from private farmers, and the importation and use of concrete poles by Kenya Power. The reduced sales of transmission poles consequently led to reduction of fuelwood/charcoal as fuelwood is obtained from tops and left-overs after harvesting the transmission poles.

Table 9.5: Recorded Sale of Forest[1] Products, 2007 – 2011

Forest Products	2007	2008	2009	2010	2011*
Timber - '000 true cu. metres-					
Soft wood.	423.4	503.7	347.0	401.2	419.2
Hard wood	-	-	12.7	19.3	9.5
TOTAL	423.4	503.7	359.7	420.5	428.7
'000 stacked cu. metres-					
Fuel wood /Charcoal . ..	27.7	28.8	0.9	60.3	6.6
Power &Telegraph Poles	18.5	52.0	12.2	6.4	0.8

Source: Kenya Forest Service

* Provisional.

[1]Government Forest

Mining

9.14. As shown in Table 9.6, the quantity of minerals produced increased by 13.0 per cent from 1,496.3 thousand tonnes in 2010 to 1,690.3 thousand tonnes in 2011. Production of soda ash increased by 5.4 per cent from 473.7 thousand tonnes in 2010 compared to 499.1 thousand tonnes in 2011. Fluorspar production more than doubled from 40.8 thousand tonnes in 2010 to 95.1 thousand tonnes, mainly as a result of recovery in production following improved prices of the commodity in the export market. Production of diatomite more than trebled in 2011 as a result of expanded markets for the product in South Africa and Uganda.

9.15. Production of crude salt recovered from 6.2 thousand tonnes in 2010 to 24.6 thousand tonnes in 2011. During the same year the volume of gemstones almost doubled. The rise is mainly attributed to increased demand of low grade sapphires and corundum/ruby gemstones by Thailand and India. Gold production declined from 2.4 tonnes in 2010 to 1.6 tonnes in 2011 mainly due to heavy rains in the gold mining areas of Lolgorian in Transmara district and Kehancha in Kuria district.

Tables 9.6: Quantity and Value of Mineral Production, 2007 – 2011

Mineral	2007	2008	2009	2010	2011*
Quantities - Tonnes:					
Minerals-					
Soda Ash	386,578.0	502,846.0	404,904.0	473,689.0	499,052.0
Fluorspar	85,115.0	130,100.0	5,500.0	40,750.0	95,051.0
Salt	11,596.0	24,345.0	24,125.0	6,194.0	24,639.0
Crushed Refined Soda	843,043.0	865,788.0	948,076.0	959,160.0	1,054,236.0
Carbon Dioxide	11,028.0	12,317.0	15,097.0	16,152.0	16,275.0
Diatomite[1]	201.0	72.0	231.0	224.0	713.0
Gold[1]	3.0	0.3	1.1	2.4	1.6
Gemstones[1]	9.0	20.9	39.4	167.6	310.1
TOTAL	**1,349,511.0**	**1,545,202.0**	**1,398,587.0**	**1,496,339.0**	**1,690,277.7**
Value - KSh million					
Soda Ash	4,769.5	8,881.7	6,085.4	6,980.0	7,354.0
Fluorspar	995.9	1,949.2	122.5	789.0	3,984.0
Salt	58.1	139.2	154.7	35.0	140.0
Crushed Refined Soda	430.0	442.0	484.0	467.0	532.0
Carbon Dioxide	78.6	296.0	333.0	408.0	411.0
Diatomite	8.9	3.5	14.0	9.0	15.0
Gold	3,922.9	592.9	2,284.0	6,217.0	5,651.0
Gemstones	111.0	178.6	141.0	226.0	231.0
TOTAL	**10,374.9**	**12,483.1**	**9,618.6**	**15,131.0**	**18,318.0**

Source: Department of Mines and Geology

* Provisional

[1] Quantities of production assumed to be equal to exports

9.16. Total earnings from mineral production rose by 21.1 per cent from KSh 15,131 million in 2010 to KSh 18,318 million in 2011. The increase was attributed to high export and domestic prices of most mineral products in 2011. The value of soda ash, gold and fluorspar accounted for 92.7 per cent of the overall output value in 2011. Earnings from soda ash rose by 5.4 per cent from KSh 6,980 million in 2010 to KSh 7,354 million in 2011 while that of fluorspar increased more than five-fold from KSh 789 million in 2010 to KSh 3,984 million in 2011. However, earnings from gold exports declined by 9.1 per cent from KSh 6,217 million in 2010 to KSh 5,651.

9.17. The average price of fluorspar more than doubled in 2011 from KSh 19.4 thousand per tonne in 2010 to KSh 41.9 thousand per tone as shown in Table 9.7. The increase was mainly attributable to a weak Kenyan Shilling and scarcity of the commodity to the export market. However, the average price for soda ash remained at the 2010 level of KSh 14.8 thousand per tonne mainly due to competition from lower cost synthetic soda ash produced in China.

Table 9.7: Average Export Prices of Soda Ash and Fluorspar, 2007 - 2011

KSh per tonne

Mineral	2007	2008	2009	2010	2011*
Soda Ash	12,812.0	18,541.0	13,922.0	14,809.0	14,809.0
Fluorspar	11,700.0	14,982.0	22,280.0	19,372.0	41,919.0

Source: Department of Mines and Geology

* Provisional

Refuse Management

9.18. The city of Nairobi continues to face major challenges of disposing-off solid waste generated from households and industries. This has impacted negatively on the health of the populace and exerted pressure on land set aside for dumping purposes. In this regard, the Government continued to increase expenditure on public health for the Nairobi City Council. As shown in Table 9.8, total expenditure is expected to grow from KSh 499.8 million in 2010/11 to KSh 562.2 million in 2011/12. The bulk of the expenditure was targeted to refuse removal which accounted for 73.7 per cent of the total public health budget in 2011/12. Expenditure on cleaning and administration increased from KSh 64.2 million in 2010/11 to KSh 67.9 million in 2011/12 while that on cleaning – general declined from KSh 121.7 million in 2010/11 to KSh 80.0 million in 2011/12.

Table 9.8: Expenditure on Public Health by the Nairobi City Council, 2007/08 - 2011/12

KSh million

Expenditure category	2007/08	2008/09	2009/10	2010/11	2011/12+
Cleaning and Administration....	300.2	330.2	49.7	64.2	67.9
Cleaning - General.	1.7	1.9	51.7	121.7	80.0
Refuse Removal	144.0	158.4	356.7	313.9	414.3
Total.	**445.9**	**490.5**	**458.1**	**499.8**	**562.2**

Source: Nairobi City Council

+Estimates

Wildlife

9.19. Wildlife population estimates derived from aerial sample surveys are given in Table 9.9. The dominant land-use in the Kenyan rangelands continues to be wildlife and livestock grazing. These rangelands are home to most wildlife species, which are major tourist attractions thus supporting the tourism industry in addition to provision of ecological services. The species that showed stability or increase in population during the review period include burchell's zebra, elephant, wildebeest and ostrich. On the other hand, various wildlife herbivores indicated a decline in population during the period under review. These species include buffalo, warthog, kongoni, waterbuck, topi, thomson's gazelle, gerenuk, eland, giraffe and oryx. The declines were as a result of drought experienced in the first half of the year; impediment of wildlife movements due to land-use changes in favour of crop cultivation and human settlement; and poaching of some species.

Table 9.9: Wildlife Population Estimates in the Kenya Rangelands, 2007 – 2011.

'000 Number

SPECIES	2007	2008	2009	2010	2011*
Elephant	19.7	19.4	20.9	22.0	22.5
Buffalo	20.1	18.1	17.8	17.5	15.5
Giraffe	29.3	27.5	25.4	24.0	23.4
Burchell's Zebra	109.0	107.0	103.4	102.0	104.0
Grevy's Zebra	4.0	3.8	3.8	3.6	3.4
Topi	28.5	27.0	24.0	23.3	21.5
Kongoni	9.7	7.4	8.7	8.4	7.0
Wildebeest	291.5	298.0	295.0	294.6	295.0
Oryx	20.0	18.8	18.8	17.8	15.0
Eland	8.9	7.7	8.5	7.9	7.0
H. Hartebeest	0.9	1.0	0.9	0.9	0.8
Waterbuck	4.4	3.7	3.9	4.0	3.0
Kudu	12.5	11.4	11.2	10.5	10.0
Gerenuk	25.0	23.0	21.0	20.2	19.5
Impala	63.4	63.9	63.8	62.6	61.0
Grant's Gazelle	115.0	114.0	113.3	112.5	112.0
Thomson's Gazelle	45.0	47.4	47.5	47.0	43.5
Warthog	16.0	17.5	18.8	18.6	18.5
Ostrich	26.5	26.9	28.0	28.0	28.7

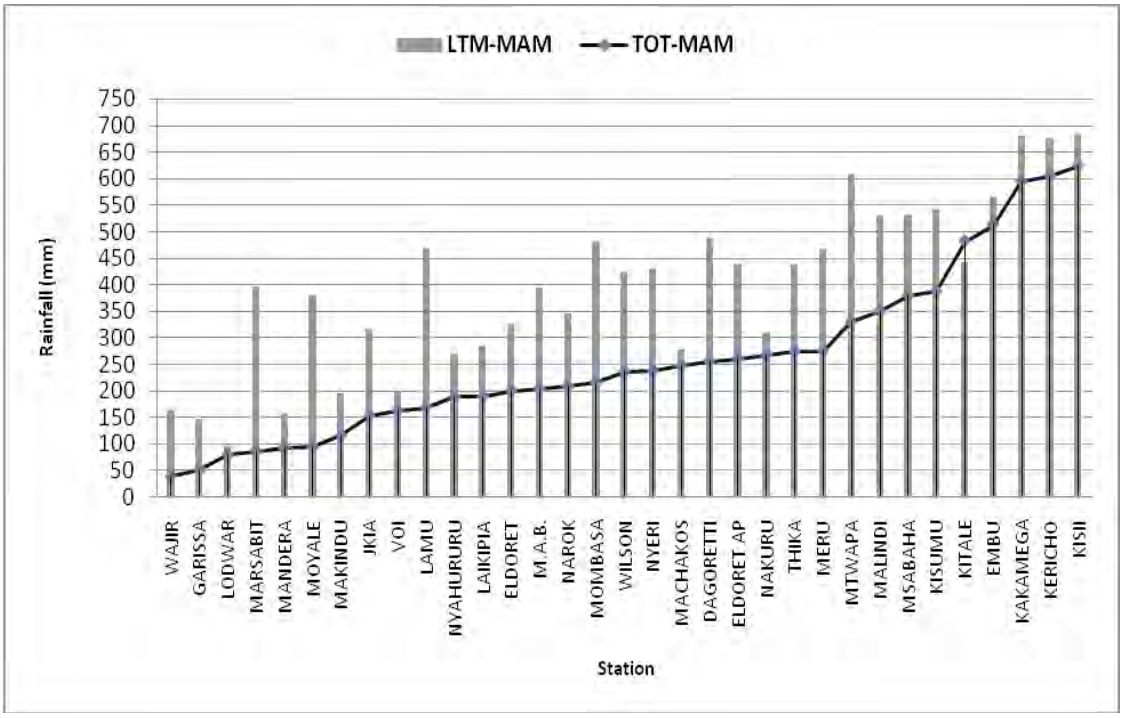
Source: Department of Resource Surveys and Remote Sensing (DRSRS)

* Provisional

Weather Patterns

9.20. Most parts of the country, especially the northern, north-eastern and the coastal strip recorded highly depressed rainfall during March-April-May (MAM) 2011 "Long-Rains" season as shown in Figure 9.2. The poor performance was reflected both in the rainfall amounts received and the distribution in time and space. The total rainfall amounts received over most parts of the country were well below 75 per cent of their Long Term Means (LTMs). Mombasa, Garissa, Lamu, Wajir, Moyale and Marsabit recorded less than 40 per cent of their seasonal LTMs. Kitale, Embu, Machakos, Kisii, Lodwar, Nakuru, Voi, Kericho and Kakamega were the only areas in the country that recorded rainfall above 75 per cent of the LTMs. The season was characterized by long dry spells and low rainfall in different parts of the country particularly in April.

Figure 9.2: Long Rains (March to May) Performance, 2011



Source: Kenya Meteorological Department

TOT – Total rainfall

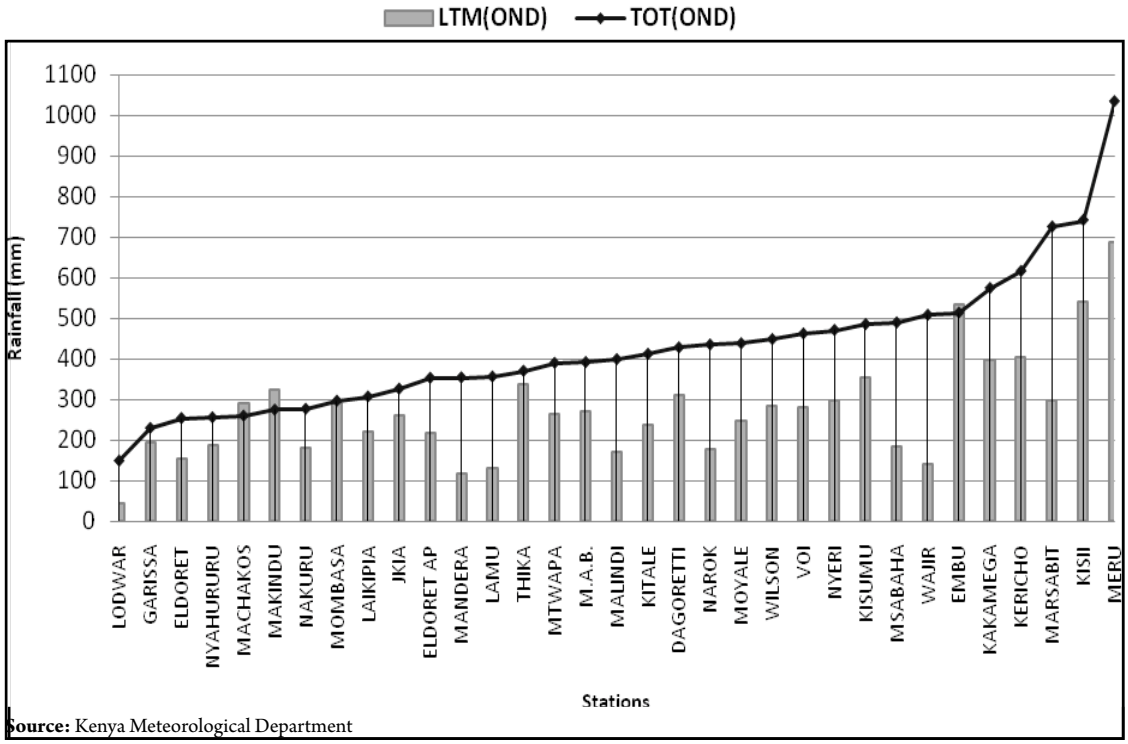
LTM – Long Term Mean

MAM - March-April-May

9.21. The low rainfall in most parts of the country during the MAM season impacted negatively on various economic sectors such as agriculture and livestock. This resulted to poor crop performance in the south-eastern lowlands and parts of central and western highlands as well as central rift valley. There was a noticeable lack of pasture in the pastoral areas, and more so in the north-western and north-eastern Kenya. The reduced rainfall impacted on the levels of water in the Seven-Forks hydroelectric power generation dams in the catchment area of Tana River in the central highlands.

9.22. The October-November-December (OND) 2011 rainfall analysis indicates that the performance was impressive countrywide as shown in figure 9.3. Most parts of the country recorded at least near normal (above 75 per cent of the LTMs) rainfall. However, several areas recorded highly enhanced rainfall that led to serious flooding and destruction of infrastructure in parts of the country. Wajir, Lodwar and Mandera recorded more than 300 per cent of their seasonal LTMs while Lamu, Msabaha, Marsabit, Narok and Malindi recorded amounts in excess of 200 per cent. All the other areas in the country except Garissa, Thika, Mombasa, Embu, Machakos and Makindu, recorded above normal rainfall.

Figure 9.3: Short Rains (October to December) Performance, 2011



Source: Kenya Meteorological Department

TOT – Total rainfall

LTM – Long Term Mean

OND – October-November-December

9.23. The enhanced rainfall during the season was associated with positive impacts which included improved food security through good crop and pasture performance over most of the central highlands and parts of south-eastern Kenya. This also led to increased water in the Seven-Folks and Turkwel hydroelectric power generation dams.

Development in Environment and Natural Resource

9.24. The integration of climate information into Government policies is important since climate is a major driving factor for majority of economic activities in the country. During 2011, the Government with support from the Climate and Development Knowledge Network (CDKN), the Common Market for Eastern and Southern Africa (COMESA), the Department for International Development (DfID) and other development partners commenced the process of developing a comprehensive climate change action plan to enhance the implementation of the National Climate Change Response Strategy (NCCRS). The aim is to promote climate smart approaches in all sectors of the economy and make the country zero carbon energy within the next five years.

9.25. The United Nations Climate Change Conference was held in Durban, South Africa, from 28th November to 9th December 2011. The conference agreed on a new legally binding treaty limiting greenhouse gas emissions to all 194 member countries of the United Nation Framework on Climate Change (UNFCC). They also approved a second commitment period for the existing Kyoto Protocol which will be expiring in 2013. The conference also launched the Green Climate Fund to finance compensation for forested countries which leave their trees uncut.

9.26. The Ministry of Environment and Mineral Resources in partnership with the United Nations Industrial Development Organization (UNIDO) carried out studies in Nairobi and

Lake Victoria basin with the aim of identifying solutions to waste and hyacinth infestation challenges. The objective of programme is to use new technologies to utilize solid waste and hyacinth to produce biogas. Once implemented the gasifier technology that utilize solid waste and water hyacinth for power generation would greatly address the challenges facing Lake Victoria basin and many urban centres in the country.

9.27. The Government through the Kenya National Cleaner Production Centre (KNCPC) is promoting cleaner enterprises in the country as they are found to be more efficient and competitive. Working with over 400 Kenyan enterprises in several industrial sectors, the Centre demonstrated that companies could achieve 30 to 40 per cent reduction in energy consumption with low cost technology such as efficient lighting, occupancy and/or motion sensors, good housekeeping, and preventive maintenance, among others. It was also demonstrated that companies could achieve 20 per cent energy savings on new technology in using high efficiency boilers and fuel switch.

9.28. The year 2011, was significant in global forest management as it marked the International Year of Forest to raise awareness on symbiotic relationship between forests and the people who depend on them. During the year, the Government through the KFS distributed over 120 million tree seedlings to forests, schools, farms, hilltops, parks, riversides, Arid and Semi- Arid regions. Other activities realized during the year include rehabilitation of 195,396 ha of gazetted forests of which 192,442 ha were put under protection for natural regeneration while 2,954 ha were rehabilitated through enrichment planting. In addition, 5,441 ha of forest plantation areas were planted with exotic species for commercial wood production. The aim is to achieve the 10.0 per cent tree cover which is the global benchmark for a country to be considered environmentally stable and a constitutional requirement.

9.29. The Government through the Ministry of Forestry and Wildlife initiated the process of rebranding all the protected wildlife sanctuaries in the country by giving each park a unique identity. During the year, Mt Kenya National Park was rebranded and bestowed with a new logo, a flag and a slogan to enhance its marketing as a premier tourist's destination. The aim of the rebranding is to improve corporate image, increase visitation while at the same time increase revenue collections.

Chapter 10

Energy

Overview

The year 2011 experienced high and volatile oil prices with Murban oil averaging more than US Dollar 110 per barrel. Oil prices fluctuated rapidly with the lowest at US Dollars 95.6 in January 2011, peaking in April 2011 at US Dollars 120.7 per barrel. The rapid price changes were mainly attributed to the unrest in the Middle East and North Africa that affected overall oil supply and strong global demand. High international oil prices and a weak Kenyan shilling translated into spiked petroleum prices in the domestic market, despite the application of the pricing formula introduced in December 2010. Piracy in the high seas escalated insurance costs that contributed to the high domestic prices.

10.2. The total quantity of petroleum products imported expanded by 14.1 per cent from 3,844.6 thousand tonnes in 2010 to 4,388.0 thousand tonnes in 2011. Domestic petroleum exports increased for the first time in four years to 125.2 thousand tonnes in 2011 from 95.1 thousand tonnes the previous year. During the same period, the total value of petroleum products exported, including re-exports, increased by 48.6 per cent while the total import bill increased by 72.3 per cent to KSh 345,847.4 million. Total domestic demand for petroleum products rose by 1.9 per cent in the same period.

10.3. Installed electricity capacity expanded by 8.6 per cent to 1,534.3 MW in 2011 from 1,412.2 MW in 2010. Total electricity generation realised an accelerated growth of 8.4 per cent to 7,559.9 KWh in 2011 compared to a growth of 7.2 per cent recorded in 2010. Demand for electricity recorded a growth of 9.0 per cent from 5,754.7 million KWh to 6,273.6 million KWh during the same period. Kenya Power continued with the expansion of various aspects of its core assets particularly reinforcement of transmission and distribution infrastructure throughout the country in 2011. Approximately 2,356 kilometers of distribution and transmission lines were added to the grid to enhance service delivery and capacity. The number of customers connected under the Rural Electrification Programme (REP) grew by 23.2 per cent from 251,056 customers as at June 2010 to 309,287 customers as at June 2011.

Petroleum

10.4. Table 10.1 presents the quantity and value of imports and exports of petroleum products for the period 2007 to 2011. The total quantity imports of petroleum products increased by 14.1 per cent in 2011 compared to a decline of 7.4 per cent recorded in 2010. The quantity of total exports increased by 13.8 per cent from 216.3 thousand tonnes in 2010 to 246.1 thousand tonnes in 2011, driven by re-exports.

10.5. The total import bill of petroleum products increased by 72.3 per cent from KSh 200.8 billion in 2010 to stand at KSh 345.8 billion in 2011. The value of crude oil and petroleum fuels imported went up by more than two thirds in the review year. This was mainly due to increased oil prices in the international market and the depreciation of the local currency against major world currencies. The value of domestic exports of petroleum products rose significantly by 68.1 per cent to stand at KSh 7.8 billion in 2011, while that of re-exports increased by 33.8 per cent during the same period. Petroleum products available for domestic market (net balance) increased by 73.6 per cent to attain a value of KSh 329.9 billion in 2011 compared to KSh 190.1 billion in 2010.

Table 10.1: Quantity and Value of Imports, Exports and Re-exports of Petroleum Products[1], 2007 – 2011

	Quantity ('000 Tonnes)					Value (KSh Million)				
Year	2007	2008	2009	2010	2011*	2007	2008	2009	2010	2011*
IMPORTS										
Crude Petroleum	1,598.7	1,687.7	1,610.1	1,551.5	1,772.1	49,240.8	81,452.9	54,495.4	72,598.0	124,041.6
Petroleum Fuels	1,999.9	1,704.5	2,259.0	2,071.9	2,337.9	70,204.8	112,786.7	96,621.3	119,462.5	204,747.1
Lubricating Oils	-	12.4	17.0	3.0	-	10.8	614.1	588.2	123.4	0.3
Lubricating Greases	93.2	118.6	265.0	218.2	278.0	2,319.6	4,945.5	8,487.6	8,596.1	17,058.4
TOTAL	**3,691.8**	**3,523.2**	**4,151.1**	**3,844.6**	**4,388.0**	**121,776.0**	**199,799.2**	**160,192.5**	**200,780.0**	**345,847.4**
DOMESTIC EXPORTS										
Petroleum Fuels	67.4	19.2	20.7	29.4	32.0	3,098.4	1,350.2	1,102.0	1,835.2	2,642.1
Lubricating Oils	37.4	29.5	11.0	10.0	35.0	1,036.6	1,220.8	370.8	471.1	1,740.9
Lubricating Greases	111.3	51.1	65.7	55.7	58.2	2,627.3	1,893.9	2,230.5	2,308.0	3,373.8
TOTAL	**216.1**	**99.8**	**97.4**	**95.1**	**125.2**	**6,762.3**	**4,464.9**	**3,703.3**	**4,614.3**	**7,756.8**
RE-EXPORTS										
Petroleum Fuels	6.6	25.0	35.7	68.4	60.5	373.9	1,611.0	1,621.0	3,979.3	4,986.2
Lubricating Oils	1.1	7.6	11.1	1.1	0.1	29.1	371.6	460.7	50.7	2.4
Lubricating Greases	10.6	43.4	66.6	51.8	60.3	320.6	1,527.2	2,074.3	2,071.6	3,177.1
TOTAL	**18.3**	**76.0**	**113.4**	**121.3**	**120.9**	**723.6**	**3,509.8**	**4,156.0**	**6,101.6**	**8,165.7**
TOTAL EXPORTS	**234.4**	**175.8**	**210.8**	**216.3**	**246.1**	**7,485.9**	**7,974.7**	**7,859.3**	**10,715.9**	**15,922.5**
NET BALANCE						**114,290.1**	**191,824.5**	**152,333.2**	**190,064.1**	**329,924.9**

Source: Kenya Revenue Authority
*Provisional
[1] Excludes other light and medium petroleum oils, preparations and residual petroleum products not elsewhere stated.

10.6. Table 10.2 presents the volume of crude oil intake at the Kenya Petroleum Refineries Limited (KPRL) by type for the last five years. Crude oil intake increased by 8.7 per cent to 1,742.2 thousand tonnes in 2011. Intake of Murban crude oil increased by 16.1 per cent and continued to dominate at the refinery mainly due to its high yield of white products. During the year under review, there were no imports of Arabian Medium.

Table 10.2: Crude Oil Intake at the Refinery by Type, 2007- 2011

'000 Tonnes

Crude intake	A.P.I. Gravity	2007	2008	2009	2010	2011*
Arabian Medium	31.0	249.8	252.6	84.0	83.9	0.0
Murban	39.6	1,403.4	1,334.9	1,545.5	1,495.1	1,736.5
Slops[1]	-	9.6	(4.8)	(24.4)	23.2	5.7
TOTAL		**1,662.8**	**1,582.7**	**1,605.0**	**1,602.2**	**1,742.2**

Source: Kenya Petroleum Refineries Limited
*Provisional
[1] A mixture of crude oil and pure products realised during processing and is recycled
A.P.I - American Petroleum Institute

10.7. Details of finished petroleum products processed by KPRL are presented in Table 10.3. During the period under review, fuel oil, light diesel oil and illuminating kerosene and jet / turbo fuel remained the main products at the refinery. The production of fuel oil, light diesel oil, illuminating kerosene and jet/turbo, unleaded motor gasoline premium, heavy and marine diesel oil increased in 2011. The refinery usage decreased from 101.4 thousand tonnes in 2010 to 83.7 thousand tonnes in 2011, registering a 17.5 per cent decline. However, the amount of additives increased from 82.5 thousand tonnes to 115.2 thousand tonnes during the same period.

Table 10.3: Finished Petroleum Products[1], 2007 – 2011

'000 Tonnes

	2007	2008	2009	2010	2011*
OUTPUT					
Liquified Petroleum Gas (LPG)	33.2	32.7	29.4	29.2	27.6
Motor gasoline premium (Unleaded)	156.0	134.9	109.5	135.1	141.5
Motor gasoline regular (Unleaded)	50.7	46.7	47.7	46.3	36.9
Illuminating kerosene and	0.0	0.0	0.0	0.0	0.0
Jet/turbo fuel	338.5	316.9	359.3	349.3	393.3
Light diesel oil	364.0	350.0	371.9	367.3	402.8
Heavy and Marine diesel oil	32.5	24.0	17.8	25.8	26.6
Fuel oil	534.2	515.2	497.9	449.6	520.0
Bitumen[3]	16.6	12.4	0.3	15.9	(5.4)
Additives	40.6	58.6	78.8	82.3	115.2
Refinery usage[2]	96.5	91.3	92.4	101.4	83.7
THROUGHPUT=TOTAL OUTPUT	**1,662.8**	**1,582.7**	**1,605.0**	**1,602.2**	**1,742.2**

Source: Kenya Petroleum Refineries Limited.

* Provisional.

[1] Excludes lubricants.

[2] Includes fuel use and losses

[3] Bitumen is both an input and output

10.8. Table 10.4 shows the supply and demand for petroleum products for the period 2007-2011. The total domestic demand for petroleum products went up by 1.9 per cent from 3,867.1 thousand tonnes in 2010 to 3,941.6 thousand tonnes in 2011. Demand for Liquefied Petroleum Gas (LPG) and jet/turbo fuel increased by 4.3 and 24.3 per cent in 2011, respectively. In contrast, demand for illuminating kerosene, light diesel oil and motor spirit declined by 14.7, 3.7 and 5.9 per cent, respectively. Light diesel oil accounted for 37.1 per cent of the total domestic demand followed by fuel oil, jet/turbo oil and motor spirit.

Table 10.4: Petroleum Supply and Demand, 2007 – 2011

'000 Tonnes

	2007	2008	2009	2010	2011*
DEMAND-					
Liquefied petroleum gas	77.4	84.4	74.6	87.8	91.6
Motor spirit (premium and regular)	367.1	381.3	461.7	597.2	562.1
Aviation spirit	2.2	2.5	1.4	2.5	2.8
Jet/turbo fuel	638.5	559.2	570.9	539.6	670.6
Illuminating kerosene	265.2	244.7	332.8	316.0	269.6
Light diesel oil	1,116.5	1,141.1	1,416.1	1,517.3	1,461.8
Heavy diesel oil	40.1	30.0	23.9	25.0	27.6
Fuel oil	614.8	690.0	729.4	680.3	771.8
TOTAL	**3,121.8**	**3,133.2**	**3,610.8**	**3,765.7**	**3,857.9**
Refinery usage	96.5	91.3	92.4	101.4	83.7
TOTAL DOMESTIC DEMAND	**3,218.3**	**3,224.5**	**3,703.2**	**3,867.1**	**3,941.6**
Exports of petroleum fuels	67.4	19.2	20.7	29.4	32.0
TOTAL DEMAND	**3,285.7**	**3,243.7**	**3,723.9**	**3,896.5**	**3,973.6**
SUPPLY-					
Imports:					
Crude oil	1,598.7	1,687.7	1,610.1	1,551.5	1,772.1
Petroleum fuels	1,999.9	1,704.5	2,259.0	2,071.9	2,337.9
TOTAL	3,598.6	3,392.2	3,869.1	3,623.4	4,110.0
Adjustment[1]	(312.9)	(148.5)	(145.2)	273.1	(136.4)
TOTAL SUPPLY	**3,285.7**	**3,243.7**	**3,723.9**	**3,896.5**	**3,973.6**

Source: Ministry of Energy, Kenya Revenue Authority & Kenya Petroleum Refineries Limited.

* Provisional.

[1] Adjustment for inventory changes and losses in production.

10.10. Domestic sales of petroleum fuels by consumer category for the last five years are presented in Table 10.5 and further illustrated in Figure 10.1. Total sales increased to 3,857.9 thousand tonnes in 2011 from 3,765.6 thousand tonnes realized in 2010. The transport sector (mainly road and aviation) remained the main consumer of petroleum fuels, jointly accounting for 73.2 per cent of the total sales. Consumption by tour operators in the tourism sector increased from 7.4 thousand tonnes to 7.7 thousand tonnes during the same period. In contrast, the agricultural consumer category recorded a drop of 10.3 per cent during the same period. Consumption of fuels in power generation increased by 9.5 per cent in 2011. This was as a result of increased generation of electricity from thermal sources.

Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category, 2007–2011

'000 Tonnes

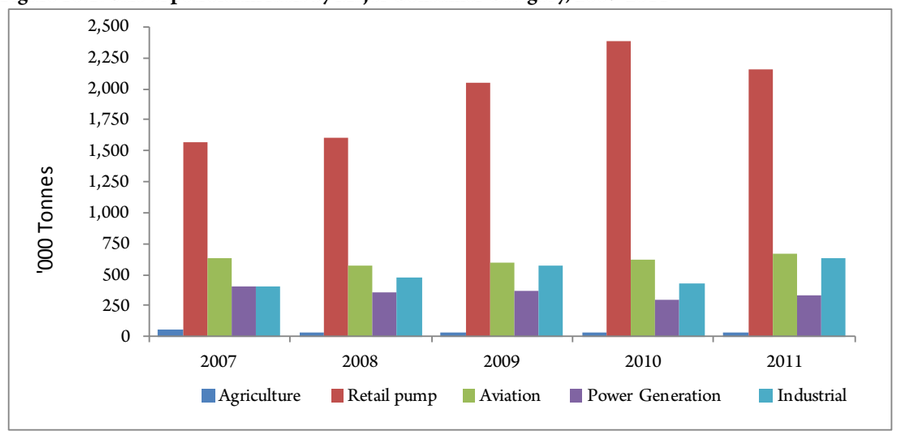
User	2007	2008	2009	2010	2011*
Agriculture	56.5	37.1	26.3	33.9	30.4
Retail pump outlets & road transport	1,570.4	1,609.3	2,054.5	2,362.5	2159.5
Rail transport	16.4	13.5	8.5	0.2	7.3
Tourism[1]	11.6	8.1	8.3	7.4	7.7
Marine (excl. Naval Forces)	0.7	0.8	7.3	16.1	26.8
Aviation (excl. Government)	635.7	567.0	592.4	625.1	665.7
Power Generation	399.9	360.4	372.2	300.3	328.7
Industrial, Commercial and Other	408.8	482.0	570.0	414.6	632.5
Government	8.3	12.5	18.9	15.8	21.0
Balancing Item	13.5	42.5	(47.5)	(10.2)	(21.7)
TOTAL	**3,121.8**	**3,133.2**	**3,610.8**	**3,765.7**	**3,857.9**

Source: Ministry of Energy

*Provisional

[1] Comprises sales to tour operators

Figure 10.1: Sale of petroleum fuels by Major Consumer Category, 2007-2011



10.11. Table 10.6 presents average wholesale prices of petroleum products in Mombasa. The wholesale prices of all petroleum products went up by various margins in 2011.The increase in fuel prices in 2011 may partly be attributed to increased crude oil prices in the international market coupled with depreciation of the local currency.

Table 10.6: Wholesale Prices[1] of Petroleum Products in Mombasa, 2007 – 2011

KSh per Tonne

PRODUCT	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11
Liquefied petroleum gas	73,187	79,168	68,983	94,114	131,420
Premium motor gasoline	80,602	104,652	100,989	107,794	112,000
Regular motor gasoline[2]	79,011	81,450	..	..	..
Illuminating kerosene	58,457	82,206	64,668	73,193	84,000
Light diesel oil	69,698	84,324	74,340	86,106	105,000
Industrial diesel oil	62,022	64,875	69,059	69,148	86,501
Fuel oil	34,941	48,671	47,841	48,711	68,050

Source: National Oil Corporation

[1] Including duties and VAT.

[2] The product is no longer sold in the market

10.12. Details of Murban crude oil prices at the international market for the last five years are shown in Table 10.7. The price of the main crude oil imported remained erratic in 2011. The prices went up by 39.7 per cent from an average of US Dollars 79.16 per barrel in 2010 to a mean of US Dollars 110.60 per barrel in 2011. The second quarter of 2011 recorded the highest average crude oil price of US Dollars 115.48 per barrel peaking in April at US Dollars 120.70 per barrel.

Table 10.7: Murban ADNOC Prices[1], 2007 – 2011

US$/BBL

Month/Year	2007	2008	2009	2010	2011*
January	54.85	92.25	48.85	77.50	95.55
February	58.75	95.10	44.95	74.20	103.60
March	62.10	102.20	47.55	78.30	112.55
April	67.60	109.35	45.85	84.80	120.70
May	68.40	125.75	60.15	77.85	113.60
June	69.70	134.00	71.65	74.80	112.15
July	73.70	137.35	66.95	73.00	113.95
August	71.75	117.50	72.75	74.60	109.05
September	78.55	98.05	69.10	75.90	110.90
October	81.80	69.25	69.25	81.50	108.95
November	91.75	51.40	78.60	85.65	114.35
December	90.60	42.10	76.10	91.85	111.80
Annual average	72.46	97.86	62.65	79.16	110.60

Source : Ministry of Energy

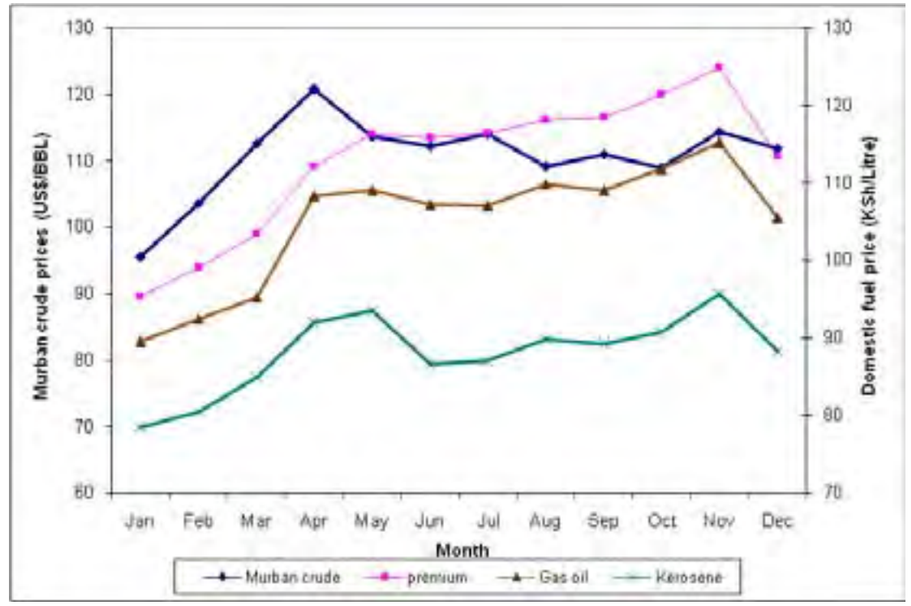
* Provisional

ADNOC : Abu Dhabi National Oil Corporation

[1] Abu Dhabi Free On Board (FOB) Prices
US$/ BBL: US Dollars per Barrel

10.13. As illustrated in Figure 10.2, retail pump prices maintained an upward and volatile trend in 2011, in tandem with international crude oil prices.

Figure 10.2: International Crude Oil Prices against Domestic fuel prices, 2011



10.14. Details of average retail prices of selected petroleum products from January 2007 to December 2011 are shown in Table 10.8. The domestic price for motor spirit premium increased by 18.5 per cent from KSh 95.65 per litre in December 2010 to KSh 113.39 per litre in December 2011. Similarly, the price of light diesel oil (gas oil) went up substantially by 21.2 per cent from KSh 87.10 per litre to KSh 105.53 per litre during the same period. The average retail price of LPG per 13 Kg cylinder rose by 14.6 per cent to KSh 2,510.55 in December 2011 from KSh 2,191.00 in December 2010. The prices of gas oil and illuminating kerosene peaked at KSh 115.13 per litre and KSh 95.71 per litre, respectively in November 2011. Regular motor spirit is being withdrawn from the market.

Table 10.8: Average Retail Prices of Selected Petroleum Products in Kenya, 2007 – 2011

		KSh per Litre				KSh per 13 Kg cylinder
		Motor Spirit				
Year	Month	Premium	Regular	Gas Oil	Illuminating Kerosene	Liquified Petroleum Gas (LPG)
2007	January	78.49	78.15	67.00	56.75	1,608.19
	March	77.71	77.52	66.01	55.99	1,603.60
	June	79.45	78.97	68.21	57.21	1,590.73
	September	80.10	79.02	68.43	57.58	1,671.63
	December	84.50	82.75	73.95	60.82	1,705.76
2008	January	88.04	86.10	77.69	64.37	1,735.70
	March	91.63	89.99	81.63	66.94	1,783.63
	June	100.43	98.73	93.18	75.45	1,810.07
	September	106.85	103.89	100.77	84.52	1,816.06
	December	82.16	82.73	73.12	61.08	1,845.46
2009	January	84.52	81.73	75.57	68.00	1,918.00
	March	80.64	79.41	72.59	63.26	1,913.00
	June	78.94	77.48	67.26	57.99	1,915.00
	September	79.49	80.26	68.71	59.73	1,907.00
	December	82.14	82.73	73.12	61.08	1,936.56
2010	January	83.95	83.71	73.78	62.27	1,913.29
	March	85.61	..	74.10	62.36	1,970.54
	June	89.19	..	78.24	65.60	2,121.10
	September	93.82	..	78.95	67.32	1,986.04
	December	95.65	..	87.10	74.12	2,191.00
2011	January	95.37	..	89.47	78.45	2,326.65
	February	98.97	..	92.47	80.47	2,303.01
	March	103.32	..	95.27	84.92	2,308.56
	April	112.10	..	108.29	91.91	2,345.41
	May	116.31	..	108.98	93.57	2,342.73
	June	115.87	..	107.26	86.66	2,328.67
	July	116.34	..	107.08	87.11	2,360.42
	August	118.03	..	109.81	89.81	2,372.35
	September	118.42	..	109.01	89.14	2,451.66
	October	121.30	..	111.77	90.79	2,599.56
	November	124.85	..	115.13	95.71	2,781.73
	December	113.39	..	105.53	88.34	2,510.55

Source: Ministry of Energy

Electricity

10.15. Table 10.9 and Figure 10.3 present details of installed capacity and generation of electricity by different producers. Total installed capacity expanded by 8.6 per cent to 1,534.3 MW in 2011 compared to an increase of 7.7 per cent in 2010. This was mainly attributed to increased thermal and hydro power installations associated with the commissioning of the largest thermal plant in the country, Kipevu III, with an installed capacity of 115.0 MW in the first quarter of 2011. A new Emergency Power Producer (EPP), Aggreko Muhoroni, with capacity of 60.0 MW was also commissioned in the last quarter of 2011 to ease power shortages. Developments in Hydro power generation consisted of addition of the new Tana re-development that increased its installed capacity to 20.0 MW from 10.0 MW. Geothermal capacity marginally increased from 189.0 MW in 2010 to 190.6 MW in 2011 to enhance

geothermal generation by the existing plants to compensate for reduced hydro power generation in the year. Co-generation installed capacity remained at 26.0 MW as in 2010.

10.16. Total electricity generation increased by 8.4 per cent from 6,975.8 GWh in 2010 to 7,559.9 GWh in 2011. This is mainly explained by the increase of 27.2 per cent in electricity production from thermal sources. Total generation from geothermal plants recorded a paltry growth of 0.1 per cent to 1,443.7 GWh in 2011. Hydro power accounted for 42.6 per cent of total electricity generation while thermal and geothermal sources accounted for 37.0 and 19.1 per cent, respectively.

Table 10.9: Installed Capacity and Generation of Electricity[1], 2007 – 2011

	INSTALLED CAPACITY MW [2]					GENERATION GWh[3]								
							Thermal oil							
	Hydro	Thermal Oil	Geo thermal	Co-gene-ration	Total	Hydro[4]	KenGen	IPP	EPP	Total	Geo thermal	Co-gene-ration	Wind	Total
2007	677.3	389.3	128.0	2.0	1,196.6	3,591.5	365.0	847.5	523.3	1,735.8	988.9	8.3	0.1	6,324.6
2008	719.0	418.9	128.0	2.0	1,267.9	3,267.0	521.4	883.0	741.0	2,145.4	1,039.0	4.0	0.2	6,455.6
2009	730.0	421.5	158.0	2.0	1,311.5	2,160.0	654.0	1,208.0	1,135.0	2,997.0	1,293.0	50.0	7.2	6,507.2
2010	728.0	469.2	189.0	26.0	1,412.2	3,224.0	291.0	1,370.0	540.0	2,201.0	1,442.0	92.0	16.8	6,975.8
2011*	735.0	582.7	190.6	26.0	1,534.3	3,217.2	903.0	1,538.8	358.7	2,800.5	1,443.7	80.9	17.6	7,559.9

Source: Kenya Power

* Provisional

IPP: Independent Power Producers

EPP: Emergency Power Producers

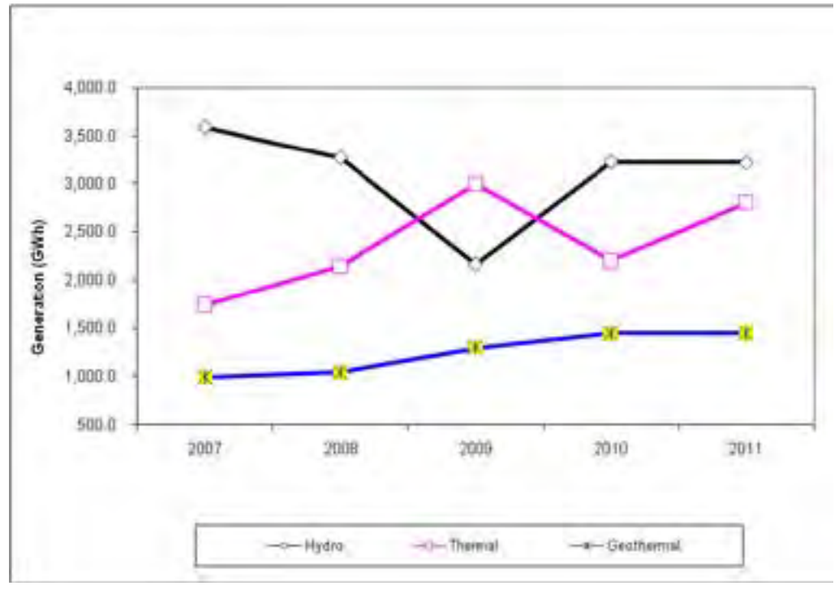
[1] Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 99 MW by contracted generators

[2] 1 megawatt = million watts = 1,000 kilowatts.

[3] Gigawatt hour = 1,000,000 kilowatt hours

[4] Includes Imports from Uganda and Tanzania

Figure 10.3: Generation of Electricity by Source, 2007- 2011



10.17. Details of demand and supply of electricity are shown in Table 10.10. Demand for

electricity recorded a growth of 9.0 per cent to 6,273.6 million KWh in 2011. Large and medium commercial and industrial establishments remained the largest consumers of electricity accounting for 54.8 per cent of the total domestic consumption in 2011, with a growth of 7.3 per cent. Domestic and small commercial consumption rose by 12.2 per cent and accounted for 38.8 per cent of the total demand in the year under review. Trends in supply and demand of electricity have been on an increase as shown in Figure 10.4.

10.18. Demand for rural electrification registered a growth of 5.3 per cent in 2011 in line with the Government policy of connecting 200 thousand households in rural areas annually. Total imports of electricity from Uganda and Tanzania rose by 13.0 per cent from 30.0 GWh in 2010 to 33.9 GWh in 2011. On the other hand, exports to Uganda and Tanzania rose substantially by 26.1 per cent to stand at 37.3 million KWh during the review period. Transmission losses and unallocated demand increased by 4.8 per cent and accounted for 16.5 per cent of total demand.

Table 10.10: Electricity Supply and Demand Balance, 2007 – 2011

Million KWh

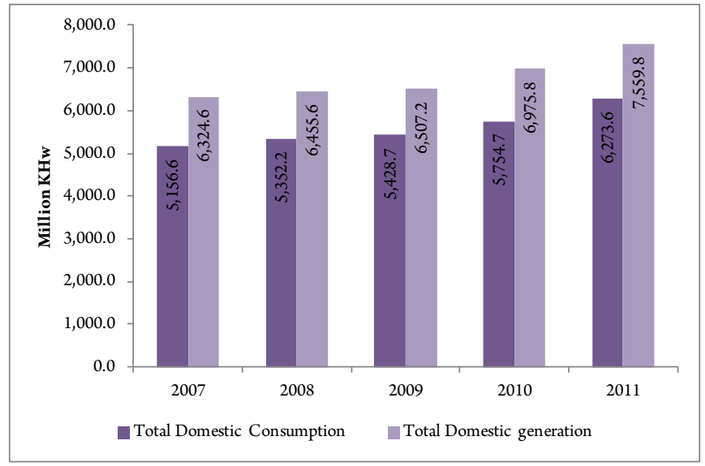
	2007	2008	2009	2010	2011*
DEMAND-					
Domestic and Small Commercial	1,741.8	2,000.8	2,058.1	2,169.3	2,433.9
Large & Medium (Commercial and Industrial)	3,140.6	3,019.8	3,058.1	3,204.9	3,440.3
Off-peak	49.2	66.2	36.8	69.2	75.4
Street Lighting	12.2	26.3	21.3	20.5	17.9
Rural Electrification	212.8	239.1	254.4	290.8	306.1
TOTAL DOMESTIC DEMAND	**5,156.6**	**5,352.2**	**5,428.7**	**5,754.7**	**6,273.6**
Exports to Uganda & Tanzania	**58.3**	**41.0**	**27.0**	**29.6**	**37.3**
Transmission losses[1] and unallocated demand	1,109.7	1,062.4	1,051.5	1,191.5	1,248.9
TOTAL DEMAND = TOTAL SUPPLY	**6,324.6**	**6,455.6**	**6,507.2**	**6,975.8**	**7,559.8**
of which imports from Uganda and Tanzania	22.6	25.0	39.0	30.0	33.9
Net generation	**6,302.0**	**6,430.6**	**6,468.2**	**6,945.8**	**7,525.9**

Source: Kenya Power and lighting company

* Provisional

[1] Voltage losses in power transmission lines

Figure 10.4: Electricity Supply and Demand, 2007-2011



10.19. Details of demand and supply of commercial energy expressed in terms of primary source are presented in Table 10.11. Consumption of coal and coke increased considerably by 41.8 per cent in 2011 to 234.2 thousand tonnes of oil equivalent. Similarly, total consumption of hydro and geothermal energy rose by 11.1 per cent to 403.6 thousand tonnes of oil equivalent in 2011. This was mainly due to increased local production of geothermal power by 36.5 per cent. Total energy consumption rose marginally by 0.3 per cent to 4,262.3 thousand tonnes of oil equivalent in 2011.

Table 10.11: Production, Trade and Consumption of Energy distributed in Terms of Primary sources, 2007 - 2011.**

'000 tonnes of Oil Equivalent

	2007	2008	2009	2010	2011*
COAL AND COKE CONSUMPTION	109.5	108.8	94.6	165.2	234.2
Imports of crude oil	1,598.7	1,687.7	1,610.1	1,551.5	1,772.1
Net exports of petroleum	1,945.5	2,097.2	2,678.0	2,828.0	2,813.0
Stock changes and balancing item	-422.4	-651.8	-677.3	-657.4	-960.6
TOTAL CONSUMPTION OF LIQUID FUELS	**3,121.8**	**3,133.1**	**3,610.8**	**3,722.1**	**3,624.5**
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	308.8	280.9	182.4	269.9	276.6
Local production of geothermal power	85.0	89.3	111.2	90.9	124.1
Imports of hydro power	1.9	2.1	3.3	2.6	2.9
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	395.7	372.3	296.9	363.4	403.6
TOTAL LOCAL ENERGY PRODUCTION	393.8	370.2	293.6	360.8	400.7
TOTAL NET IMPORTS	-235.4	-298.6	-970.0	-1,108.7	-803.8
TOTAL ENERGY CONSUMPTION	**3,627.0**	**3,614.2**	**4,002.3**	**4,250.7**	**4,262.3**
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	10.9	10.2	7.3	8.5	9.4
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	97.2	97.5	94.4	110.5	107.8

* Provisional.

** Modern sector only; fuel wood and charcoal are excluded.

10.20. Local production as a percentage of total energy consumption went up by 0.9 percentage points to 9.4 per cent in 2011. Energy consumption per capita expressed in kilogrammes of oil equivalent declined by 2.7 per cent from 110.5 in 2010 to 107.8 in 2011.

Development in the Energy Sector

Rural Electrification

10.21. In 2010/11, the Government through Kenya Power and Rural Electrification Authority (REA) implemented a total of 1,033 projects spread across the constituencies at a total cost of KSh 4.4 billion. The projects benefited 734 market centres, 535 public schools, 34 polytechnics, 177 health centres, 44 government/administrative centres, 31 coffee factories, 75 tea buying centres, and 127 water projects, among others.

10.22. The cumulative capital expenditure since inception of REP in 1973 rose to KSh 34.4 billion during the 2010/11, from KSh 30.2 billion the previous financial year. A total of KSh 1.7 billion was collected through Rural Electrification Levy during 2010/11 compared to KSh 1.4 billion in 2009/10.

10.23. The number of customers connected under the REP rose significantly by 23.2 per cent to stand at 309,287 as at June 2011 from 251,056 customers as at June, 2010. Units of electricity sold for REP schemes increased by 10.1 per cent from 278.9 million KWh in 2009/2010 to 307.1 million KWh in 2010/11, while revenue realised increased to KSh 4,324 million in 2010/11 from KSh 4,277 million in 2009/10.

Other Developments

10.24. Kenya Electricity Generation Company commissioned the largest thermal plant in the country, Kipevu III, with an installed capacity of 115 MW in the first quarter of 2011. During the year, Aggreko 4 and 5 were de-commissioned and replaced by Aggreko 6 and 7. A new EPP, Aggreko Muhoroni, with a capacity of 60 MW was also commissioned in the last quarter of 2011 to ease power shortages.

10.25. The Ministry of Energy is promoting the use of solar by installing solar electricity systems in institutions which are far from the national grid. The programme, which started in 2005, is an affirmative action to cover boarding primary schools, secondary schools, health centres, dispensaries and administrative units in Arid and Semi Arid Lands (ASAL). So far over 560 institutions have installed working solar Photo Voltaic (PV) systems. Approximately, KSh 1,252.0 million has been spent with an installed capacity of 1.2 MW.

10.26. A total of 14 major electric-power energy projects with a collective installation capacity of 1285.9 MW are currently under implementation. The coal plant at Mombasa with a capacity of 600 MW was the main power generation project under implementation. Olkaria I unit 4 and 5, Olkaria IV and Olkaria 1 reinvestment, Pilot wellhead unit and Eburru projects with installed capacities of 140, 140, 45, 5 and 2.3 MW, respectively are the geothermal power projects under construction. Karura hydro project, Sang'oro power project, Kindaruma 3rd Unit and upgrading units 1 and 2 are the hydroelectric power projects under implementation. The raising of Masinga dam by 1.5 metres is expected to result in increased average energy output in the Tana cascade by 81 GWh per annum. Isiolo wind farm with installed capacity of 50 MW is the main wind project under implementation.

Chapter 11

Manufacturing

Overview

Manufacturing is an important sector in the economy and it accounts for about 10 per cent of the Gross Domestic Product (GDP). The sector is estimated to have expanded by 3.3 per cent in 2011 compared to a revised growth of 4.5 per cent in 2010. The slow performance was mainly attributable to contractions in the food processing; leather and footwear; paper and paper products; rubber products and electrical machineries sub-sectors. The growth was negatively affected by soaring cost of fuel and a weak Kenya Shilling which lowered the demand for manufactured products. In addition, drought experienced during the year under review resulted in reduced availability of raw materials for the agro-based industries.

11.2. The sub-sectors that registered remarkable growth were clothing; petroleum and other chemicals; miscellaneous manufacturers; non metallic minerals; beverages; tobacco and metal products. The amount of loans advanced to the manufacturing sector by industrial credit institutions dropped by 11.4 per cent to KSh 271 million in 2011 as a result of the prohibitive terms of borrowing. Sales from Export Processing Zones (EPZ) went up by 21.6 per cent from KSh 32,348 million in 2010 to KSh 39,324 million in 2011, out of which 90 per cent were exports.

Employment

11.3. The number of formal employees in the manufacturing sector rose from 270.4 thousand persons in 2010 to 275.8 thousand persons in 2011. The number of Kenyans employed under the EPZ programme increased by 3.9 per cent to stand at 32,251 in 2011. Direct employment under African Growth and Opportunity Act (AGOA) recovered from a declining trend to record a 7.4 per cent growth in 2011.

Manufacturing Output

11.4. Table 11.1 shows the value of output, intermediate consumption, value added, and compensation of employees in the manufacturing sector during the period 2007 to 2011. Value of output grew by 19.8 per cent to stand at KSh 1,009,214 million in 2011. The compensation of employees grew from KSh 83,472 million in 2010 to KSh 95,780 million in 2011, a 30.5 per cent increase.

Table 11.1 Manufacturing – Output, Compensation of employees and Value Added, 2007 – 2011

Current Prices - KSh Million

YEAR	Value of Output	Intermediate Consumption	Value Added	Compensation of Employees
2007	626,494	436,030	190,464	59,789
2008	742,160	513,856	228,304	62,828
2009+	770,370	535,815	234,556	74,988
2010	842,506	590,384	252,122	83,472
2011*	1,009,214	723,516	285,698	95,780

* Provisional.

+ Revised

11.5. The quantum indices show the changes in the production output in the manufacturing

sector from 2007 to 2011 as shown in Table 11.2. The overall quantum index rose by 1.3 per cent in 2011 compared to a revised growth of 6.2 per cent in 2010. This was as a result of contractions in production in grain milling, leather and footwear, miscellaneous food, bakery products and plastic products sub-sectors in 2011. For the second year running, sugar and confectionery; rubber products and non-electrical machinery sub-sectors registered declines while paper and paper products, and printing and publishing maintained a downward trend. The clay and other products category registered a marginal growth in 2011 after contracting for the last 4 years.

Table 11.2: Quantum Index of Manufacturing Production, 2007 – 2011

Industry	2007	2008	2009	2010	2011*	Percentage Change 2011/2010
Meat & Dairy Products	154.8	142.9	178.2	199.6	211.0	5.7
Canned Vegetables, Fruits,Fish,Oils & Fats	680.5	649.7	680.1	697.9	719.2	3.1
Grain Mill Products	246.9	244.9	257.5	301.0	293.7	-2.4
Bakery Products	204.6	194.6	207.0	224.3	221.0	-1.5
Sugar & Confectionery	251.3	248.6	264.8	253.4	239.4	-5.5
Miscellaneous Foods	295.4	277.2	261.7	315.0	303.1	-3.8
Food Manufacturing	**269.2**	**258.8**	**271.6**	**292.0**	**285.3**	**-2.3**
Beverages	314.7	335.1	322.2	332.3	365.9	10.1
Tobbaco	324.8	323.9	293.1	304.6	340.7	11.9
Beverages & Tobbaco	**319.0**	**337.0**	**321.5**	**331.9**	**366.2**	**10.3**
Textiles	104.1	97.9	116.1	123.1	121.9	-1.0
Clothing	396.6	428.4	328.5	334.4	397.5	18.9
Leather & Footwear	124.1	126.3	189.8	248.4	227.2	-8.5
Wood & Cork Products	39.5	44.2	37.8	44.2	45.1	2.0
Furniture & Fixtures	58.7	64.0	66.2	67.4	68.6	1.8
Paper & Paper Products	403.4	522.6	427.1	415.0	373.5	-10.0
Printing & Publishing	295.1	240.7	210.5	183.5	161.9	-11.8
Basic Industrial Chemicals	78.2	52.2	50.7	60.2	65.5	8.8
Petroleum & other Chemicals	1,237.3	1,323.2	1,442.1	1,530.2	1,753.5	14.6
Rubber Products	725.8	558.3	640.5	611.2	536.5	-12.2
Plastic Products	1,674.8	1,513.9	2,063.4	2,282.0	2,247.8	-1.5
Clay & other Products	1,791.9	1,751.6	1,748.2	1,705.3	1,719.2	0.8
Non Metalic Minerals	237.0	347.6	412.0	427.5	482.9	13.0
Metals Products	314.5	320.6	309.0	350.6	385.8	10.0
Non Electrical Machinery	83.0	74.1	77.3	62.6	57.1	-8.8
Electrical Machinery	180.2	140.5	134.9	136.7	131.7	-3.7
Transport Equipments	1,309.9	1,106.7	1,047.4	1,119.1	1,181.4	5.6
Miscellaneous Manufactures	1,412.7	1,811.1	3,596.9	5,795.3	6,628.2	14.4
Total	**378.4**	**376.5**	**395.2**	**419.7**	**425.3**	**1.3**

* Provisional

11.6. Production in the food manufacturing sub-sector declined by 2.3 per cent in 2011 compared to a revised growth of 7.5 per cent witnessed in 2010. This was mainly as a result of a decline in sugar and tea production by 7.0 and 5.3 per cent, respectively. Production in the meat and dairy products sub-sectors registered a growth of 5.7 per cent in the same period. The growth was mainly driven by production of sausages, processed chicken, cheese and beef which rose by 39.9, 28.4, 11.0 and 9.3 per cent, respectively. Production of liquid milk increased by 4.7 per cent to stand at 376,407 thousand litres in 2011.

11.7. Production in the canned vegetables, fruits, fish, oil and fats sub-sectors registered a 3.1 per cent growth in 2011. This was on account of increased production of edible oils, squashes, canned fruits and vegetables which grew by 21.7, 9.0, 7.1 and 6.9 per cent in 2011, respectively. However, production of edible fats and margarine declined from 211,571 tonnes in 2010 to

189,926 tonnes in 2011.

11.8. Output from bakery products sub-sector contracted by 1.5 per cent in the year under review. Production of bread remained almost at 2010 level, while that of biscuits dropped by 11.4 per cent in 2011. However, production of cake grew by 13.8 per cent in 2011.

11.9. Production in the sugar and confectionery sub-sector declined for a second consecutive year, registering a 5.5 per cent decline in 2011. This was as a result of a decline in sugar production by 16.6 per cent from 524 thousand tonnes in 2010 to 437 thousand tonnes in 2011. The decline was due shortage of mature canes. On the other hand, production of sweets, chewing gum and toffee grew by 39.3, 38.3 and 12.6 per cent, respectively.

11.10. Production from miscellaneous food sub-sector dropped by 3.8 per cent in 2011. This was as a result of 5.3 per cent decline in tea production to 377.9 thousand tonnes in 2011. Production of milled coffee dropped by 13.7 per cent during the same period, inspite of favourable prices in the coffee auction market. However, production of roasted coffee increased by 35.7 per cent in 2011 while that of animal feeds increased by 24.2 per cent to 433.4 thousand tonnes in 2011.

11.11. Production of beverages and tobacco grew by 10.3 per cent in 2011. The growth was mainly driven by production of beer and stout; and cigarettes which rose by 13.8 and 11.9 per cent, respectively in 2011. There was a 7.9 per cent increase in the production of spirits to 39,213.4 thousand litres in 2011 while that of soft drinks increased from 368,147 thousand litres in 2010 to 371,353 thousand litres in 2011.

11.12. Production of the textiles contracted marginally in 2011. This was occasioned by the decline in the production of toweling materials and gunny bags in 2011. On the other hand, production of rope and twine, cardigans, bed sheet and blankets rose by 37.1, 11.5, 7.8 and 2.4 per cent, respectively.

11.13. The clothing sub-sector grew by 18.9 per cent in 2011 compared to 1.8 per cent in the previous year. This was on account of the removal of the 16 per cent Value Added Tax (VAT) levied on locally produced and ginned cotton and the imposition of taxes on imported textiles. Subsequently, production of shirts, sports shirts and T- shirts; suits for men and boys; and uniform and overalls increased by 21.3, 12.6 and 3.1 per cent, respectively.

11.14. Leather and footwear sub-sector contracted by 8.5 per cent in 2011. Production of leather shoes declined by 12.2 per cent after registering positive growth for three consecutive years. However, production of finished leather remained on an upward trend, recording a growth of 4.9 per cent during the review period. This is partly attributable to several measures taken by the Government since 2010 to boost the leather, hides and skins sub-sector , among them allocation of funds to build five mini-leather processing factories.

11.15. The wood and cork products sub-sector registered a positive growth for the second year running. The growth was as result of the rise in production of sawn timber from 264.9 thousand tonnes in 2010 to 270.1 thousand tonnes in 2011.

11.16. Production in the paper and paper products sub-sector dropped by 10.0 per cent in 2011

mainly as a result of the limited production in Webuye Pan Paper Mills. However, production of exercise books increased from 43.6 million dozen in 2010 to 43.9 million dozen in 2011. Similarly, production of paper bags and sacks, and corrugated paper containers rose by 19.2 and 18.0 per cent, respectively.

11.17. Production in printing and publishing sub-sector dropped by 11.8 per cent during the review period as a result of constraint production of newsprint. On the other hand, production of newspapers went up by 7.1 per cent during the same period.

11.18. Basic industrial chemicals sub-sector grew by 8.8 per cent in 2011. Production of oxygen and hydrogen went up by 6.8 per cent while that of electrodes dropped by 26.0 per cent. Production of pyrethrum extract increased from 6 to 8 tonnes in 2011.

11.19. Petroleum and other chemicals registered a 14.6 per cent increase in production. Production of varnishes and lacquers, thinners, paints and distempers went up by 18.5, 6.5, 4.8 and 3.9 per cent, respectively. Production of drugs (tablets) rose by 40.5 while that of pharmaceutical products increased by 38.4 per cent in 2011. Production of detergent (powder), washing soap and cosmetics grew by 35.3, 33.5 and 20.6 per cent, respectively. Similarly, production of kerosene, fuel oil and gas oil went up by 11.9, 10.6 and 9.6 per cent respectively. However, production of Liquefied Petroleum Gas (LPG), shoe polish, laundry soap and motor spirits declined by 6.4, 4.2, 2.6 and 1.7 per cent, respectively in 2011.

11.20. Production of rubber products dropped by 12.2 per cent in 2011 mainly as a result of competition from imported motor vehicle tyres and tubes. On the other hand, production of rubber soles and shoes grew by 40.9 and 14.7 per cent, respectively.

11.21. Plastic products sub-sector declined by 1.5 per cent in 2011. In particular, production of plastic shoes and PVC pipe dropped by 13.5 and 9.2 per cent, respectively. However, the production of polythene bags went up by 2.8 per cent during the review period.

11.22. Manufacture of clay and glass products registered a marginal growth in 2011 after declining for the last 4 years. Production of glass bottles grew modestly while that of floor and wall tiles dropped by 2.2 per cent during the year under review.

11.24. Manufacture of metal products rose by 10.1 per cent in 2011 mainly attributable to increased production of galvanized iron sheets that increased by 18.0 per cent to 268.1 thousand tonnes in 2011. Production of nails went up by 3.7 per cent while that of iron rods and bars dropped by 2.3 per cent in the same year.

11.25. Production of electrical and non-electrical machinery dropped by 3.7 and 8.8 per cent in 2011, respectively. The decline in electrical machinery is largely attributed to competition from imports. In contrast, production of motor vehicle batteries went up by 25.1 per cent in the same period.

11.26. Manufacture of transport equipment grew by 5.6 per cent during the review period. The growth was supported by an increase in the number of assembled vehicles, lorry bodies/ trailers and coach and bus bodies which went up by 5.0, 3.7 and 6.9 per cent, respectively. This can be explained by the increased demand for buses due to the Government's gradual plan of

phasing out the 14-seater matatus, which have since been suspended and aggressive marketing strategies by local vehicle assemblers.

11.27. The miscellaneous manufactures sub-sector registered a growth of 14.4 per cent in 2011. This was mainly driven by the production of ball point pens which went up by 21.0 per cent. Similarly, production of industrial paint brushes and household brushes increased by 2.5 and 12.3 per cent, respectively in 2011 while production of mattresses dropped by 21.4 per cent.

11.28. The grain mills products recorded a negative growth of 2.4 per cent in 2011 compared to a 16.9 per cent rise in 2010. As shown in Table 11.3, production of maize meal registered a positive growth for the second consecutive year to stand at 374.0 thousand tonnes in 2011. However, production of wheat flour declined by 15.5 per cent to 385.5 thousand tonnes in 2011. Milled rice production continued to expand since the inception of the System of Rice Intensification (RSI) in 2009, a system that utilises less water.

Table 11.3: Production of Grain Milling Products, 2007 – 2011

'000 Tonnes

	COMMODITY		
YEAR	**Sifted Maize meal**	**Wheat Flour**	**Rice**
2007	287.5	374.5	33.5
2008	351.2	310.7	26.8
2009	332.4	359.3	23.4
2010	342.7	456.1	45.7
2011*	374.1	385.5	60.6

*Provisional

11.29. The non metallic minerals sub-sector recorded a growth of 13.0 per cent in 2011 due to increased demand for houses and construction of roads. Table 11.4 presents additional information on production, imports and consumption of cement. Production of clinker went up by 15.2 per cent in 2011. Production of cement registered a growth of 10.2 per cent from 3,709.8 thousand tonnes in 2010 to 4,088.4 thousand tonnes in 2011. However, production of roofing tiles dropped further by 18.8 per cent in 2011 after contracting by 6.7 per cent in the previous year.

Table 11.4: Cement Production and Consumption, 2007 - 2011

'000 Tonnes

				EXPORTS TO	
YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	Uganda and Tanzania	All Other Countries
2007	2,615.1	42.5	2,059.5	514.0	84.1
2008	2,829.6	18.7	2,155.8	626.5	66.0
2009	3,320.3	35.2	2,671.3	608.2	76.0
2010	3,709.8	27.1	3,085.2	548.3	103.4
2011*	4,088.4	53.0	3,433.0	583.1	125.3

* Provisional.

Credit to the Manufacturing Sector

11.30. The industrial credit institutions approved industrial projects worth KSh 2090.8 million in 2011 out of which manufacturing projects received KSh 270.8 million as shown in Table 11.5. The decline was as a result of high cost of borrowing.

Table 11.5: Industrial Projects Approved By Selected Government or Quasi-Government, 2007-2011

	Number of Projects					Approved Expenditure (KSh Million)				
INSTITUTION	2007	2008	2009+	2010	2011*	2007	2008	2009+	2010	2011*
Industrial Development Bank Limited (IDB Capital.)	1	2	1	3	2	20.0	47.8	55.0	175.0	112.6
Development Bank of Kenya (DBK)[1]	39	26	10	37	35	1,800.0	1,342.0	2,200.0	2,480.0	1,820.0
Development Bank of Kenya (DBK)[2]	..	..	2	4	3	..	..	28.6	116.0	120.0
Kenya Industrial Estates Limited (KIE)	69	39	32	56	116	20.7	11.7	9.0	15.3	38.2
Industrial and Commercial Development Corporation (ICDC)	2	1	3	..	..	280.0	221.0	21.2	0	0
TOTAL	**111**	**68**	**48**	**100**	**156**	**2,120.7**	**1,622.5**	**2,313.8**	**2,786.3**	**2,090.8**

* Provisional

+ Revised

[1]Expenditure includes ICT,real estate,cut flowers, health services and manufacturing up to 2008

[2]Expenditure in Manufacturing

11.31. Industrial Development Bank (IDB) approved two projects for fish processing and metal fabrication worth KSh 112.6 million in 2011 compared to three projects worth KSh 175.0 million in 2010. Through these projects, the bank aims to create 110 new employment opportunities.

11.32. During the year under review, DBK recorded a decreased demand for loans and advances. The Bank approved KSh 1.8 billion in 2011 compared to KSh 2.5 billion in 2010. However, approvals for manufacturing projects improved from KSh. 116.0 million in 2010 to KSh 120.0 million in 2011. The bank approved three manufacturing projects whose principal activities are; manufacture of plastics products, motor vehicle body building and manufacture and installation of equipments for hydro power plants. An estimated 200 new direct employment opportunities were expected to be created from these projects. However, for a second consecutive year, ICDC did not approve any industrial loans.

11.33. Kenya Industrial Estates (KIE) more than doubled their project approvals in 2011 compared to 2010. Most of the projects financed were small and averaged between KSh 100 thousand to KSh 500 thousands mainly targeting grain milling and tailoring activities. A total of 116 projects worth KSh 38 million were approved by KIE in 2011 compared to a revised number of 56 projects in 2010 worth KSh 15 million. These projects in 2011 are expected to generate 764 jobs.

11.34. Kenya Investment Authority (Ken Invest) approved 37 projects in the manufacturing sector in 2011, an increase of one project compared to 2010. The cost of the approved projects is expected to increase substantially from KSh 7.0 billion in 2010 to KSh 26.3 billion in 2011.

Export Processing Zones

11.35. Key indicators under EPZ programme showed improved performance despite the challenges witnessed in the global market in 2011. However, businesses within the zones were adversely affected by depreciation of the local currency and high fuel prices. The programme faced a major challenge of incorporating the East African Community (EAC) partner state into the dometic market.

11.36. The number of enterprises operating under the EPZ increased from 75 in 2010 to 79 in 2011 as summarized in Table 11.6. Most indicators such as sales, imports, total employment, local purchases of goods and services, investments and the number of gazetted zones recorded positive growth.

Table 11.6: Selected EPZ Performance Indicators, 2007-2011

	Unit	2007	2008	2009+	2010	2011*
Gazetted Zones	Number	41	38	41	42	44
Enterprises Operating	"	72	74	83	75	79
Employment – Locals	"	34,452	30,183	30,115	31,026	32,251
- Expatriates	"	511	469	508	476	394
Total Workers		**34,963**	**30,652**	**30,623**	**31,502**	**32,645**
Export Sales	KSh Million	27,400	28,094	23,948	28,998	35,483
Domestic Sales[1]	"	2,000	3,168	2,850	3,350	3,841
Total Sales		**29,400**	**31,262**	**26,798**	**32,348**	**39,324**
Imports	"	17,287	16,348	12,672	16,518	20,615
Local Purchases of Goods and Services	"	3,454	4,476	3,942	4,661	6,297
Investment	"	19,027	21,701	21,507	23,563	23,623

Source: Export Processing Zones Authority (EPZA)

* Provisional

+ Revised

[1] Includes sales to duty free shops and agencies

11.37. The number of gazetted zones as at the end of 2011 increased from 42 to 44 , with only two zones being public. These zones are distributed as follows ; Mombasa(21), Nairobi(9), Athi River(3), Kilifi(2), one each in Voi, Kerio Valley, Thika, Isinya, Ruiru, Malindi, Eldoret, Nandi and Muranga.

11.38. The total sales from the EPZ enterprises grew by 21.6 per cent in 2011 to stand at KSh 39,324 million from KSh 32,348 million in 2010. Exports, which accounted for 90 per cent of the total sales, increased from KSh 28,998 million in 2010 to KSh 35,483 million in 2011. Domestic sales stood at KSh 3,841 million in the year under review. The depreciation of the Kenya shilling against major international currencies in 2011 partly led to the 24.8 per cent rise in the value of imports to KSh 20,615 million. Local purchases increased by 35.1 per cent to stand at KSh 6,297 million in the same period. The cumulative capital investment from the 79 operational EPZ enterprises increased marginally from KSh 23,563 million in 2010 to KSh 23,623 million in 2011.

11.39. The number of Kenyans who are directly employed in the EPZ increased by 3.9 per cent to stand at 32,251 in 2011. Out of the total employment, approximately 80.3 per cent were generated by the garment/apparel enterprises. The sustainability of the EPZ garment/apparel sub-sector will depend on extension of "Third Country" fabric provision which expires in September 2012.

Impact of African Growth and Opportunity Act (AGOA)

11.40. AGOA is a USA initiative meant to increase exports, especially in apparels, from accredited Sub Saharan Africa (SSA) countries. As shown in Table 11.7, value of exported apparel increased from KSh 16,190 million in 2010 to KSh 18,774 million in 2011. Direct employment in this sub-sector recovered from a declining trend to record a 7.4 per cent growth from 24,114 in 2010 to 25,904 in 2011.

Table 11.7: Selected EPZ Garment / Apparel Performance Indicators under AGOA, 2007-2011

	2007	2008	2009	2010	2011*	% Growth
Number of Enterprises	22	18	19	16	18	12.5
Employment	28,006	25,766	24,359	24,114	25,904	7.4
Capital Investment (KSh Million)	8,314	7,578	5,490	6,959	6,858	-1.5
Exports (KSh Million)	13,768	15,811	12,699	16,190	18,774	16.0

Source: EPZA

*Provisional

Chapter 12

Building and Construction

Overview

The building and construction industry registered improved performance buoyed by the various completed and ongoing road constructions and building projects. The sector registered a decelerated growth of 4.3 per cent in 2011 compared to 4.5 per cent in 2010. The Government increased its budgetary allocation in 2011/12 to the Ministry of Roads to cater for several road works across the country. With the ever increasing urban population, the industry grew as investors rushed to meet the rising demand for housing. The housing industry witnessed an increase in the values of building plans approved and completed buildings in the review period by both the private and public sectors. Wage employment in the sector grew by 7.6 per cent to register 108,971 persons in 2011.

12.2. The Government expenditure index on roads rose to 332.3 in 2011 from 265.4 in 2010. Cement consumption, a key indicator in building and construction, increased by 10.6 per cent from 3,104.8 thousand tonnes in 2010 to 3,433.0 thousand tonnes in 2011. Some of the projects undertaken in 2011 include; Nairobi-Thika Super Highway, Eastern by-pass and the expansion of international airports. Loans and advances from commercial banks to the building and construction sector increased significantly by more than half from KSh 32,637.0 million in 2010 to KSh 50,805.0 million in 2011. The total value of reported private building works completed in selected towns rose by 12.4 per cent to stand at KSh 43,125.8 million in 2011. The total estimated cost of reported new private buildings completed in selected towns went up by 16.3 per cent from KSh 36,706.4 million in 2010 to KSh 42,685.3 million in 2011. This increase was necessitated by the high demand for houses in the urban areas. The total value of building plans approved grew by 18.7 per cent from KSh 131,830.2 million in 2010 to KSh 156,456.1 million in 2011.

12.3. In 2011/12, the Ministry of Road's overall expenditure is expected to rise by 34.4 per cent to KSh 82.3 billion from KSh 61.2 billion in 2010/2011. This is expected to fund several road works undertaken by Kenya Roads Board, funded through the roads maintenance levy funds. Disbursement of funds by KRB to the various roads agencies for road construction, rehabilitation and maintenance activities is expected to increase by 3.0 per cent from KSh 23.4 billion in 2010/11 to KSh 24.1 billion in 2011/12.

Key Economic Indicators

12.4. Table 12.1 presents selected key economic indicators in the building and construction sector. Cement consumption went up by 10.6 per cent to register 3,433.0 thousand tonnes in 2011 from 3,104.8 thousand tonnes in 2010. The increase was attributed to several road projects being undertaken by the Government across the country and building activities by the public and private sectors. Government expenditure on roads index increased to 332.3 in 2011 from 265.4 in 2010. The index of reported private building works completed in major towns rose to 350.2 in 2010 from 241.9 in 2009. The index of reported public building works completed in main towns went up to 14.2 in 2010 from 9.2 in 2009 mainly as a result of several housing projects completed by National Housing Corporation (NHC) across the country.

Table 12.1 Selected Key Economic Indicators in Building and Construction[1], 2007 – 2011

1982=100

Indicator/Year	2007	2008+	2009+	2010	2011*
Index of reported private building work completed in major towns[2]	108.2	156.0	241.9	350.2	..
Index of reported public building work completed in major towns[2]	4.5	6.7	9.2	14.2	..
Index of government expenditure on roads	219.4	223.8	312.9	265.4	332.3
Cement consumption ('000 tonnes)	2,061.4	2,205.8	2,671.2	3,104.8	3,433.0
Index of Cement consumption	355.8	380.7	461.0	535.9	592.5
Employment ('000)	81.3	84.8	93.4	101.3	109.0
Index of Employment	134.6	140.4	154.6	167.7	180.5
Loans and Advances from Commercial Banks to the sector (KSh mn)	31,576.0	29,247.0	30,414.0	32,637.0	50,805.0

* Provisional.

+ Revised

[1] Actual deflated by various building or construction cost indices.

[2] The average of the actual of two consecutive years is taken in each case for reported completion of buildings

12.5. The sector's total wage employment went up by 7.6 per cent from 101.3 thousand persons registered in 2010 to 109.0 thousand persons recorded in 2011. Private sector employment rose by 9.5 per cent to 89,819 persons in 2011 from 82,041 persons in 2010, while public sector employment recorded a marginal decline.

12.6. Table 12.2 shows the annual percentage change in building and construction cost indices for the period 2009 to 2011. The rate of change of the cost index of non-residential buildings registered a higher growth of 6.3 per cent in 2011 compared to 3.2 per cent in 2010. The overall cost index of materials went up by 5.4 per cent in 2011 compared to 3.2 per cent in 2010. The rate of change in the cost index of 'Other' construction for materials went up slightly by 5.5 per cent in 2011 compared to 4.9 per cent in 2010. The total cost index of all buildings grew by 6.4 per cent in 2011 as compared to a slower growth of 3.6 per cent in 2010. The index for labour increased by 9.4 per cent in 2011 compared to 6.9 per cent in 2010 as a result of higher wages awarded under the Collective Bargaining Agreements (CBAs) in the review period. The overall total cost index increased by 6.8 per cent in 2011 compared to 4.4 per cent in 2010.

Table 12.2: Annual Percentage change in Building and Construction Cost Indices[1], 2009 – 2011

	Materials			Labour			Total Cost		
	2009	2010	2011*	2009	2010	2011*	2009	2010	2011*
Residential Buildings	2.4	3.3	5.7	8.8	6.9	9.4	3.8	4.1	6.5
Non-Residential Buildings	5.1	1.7	5.1	8.8	6.9	9.4	6.1	3.2	6.3
All Buildings	3.6	2.6	5.4	8.8	6.9	9.4	4.9	3.6	6.4
Other Construction[2]	1.6	4.9	5.5	8.8	6.9	9.4	4.9	5.9	7.4
Overall Cost Index	3.1	3.2	5.4	8.8	6.9	9.4	4.9	4.4	6.8

* Provisional.

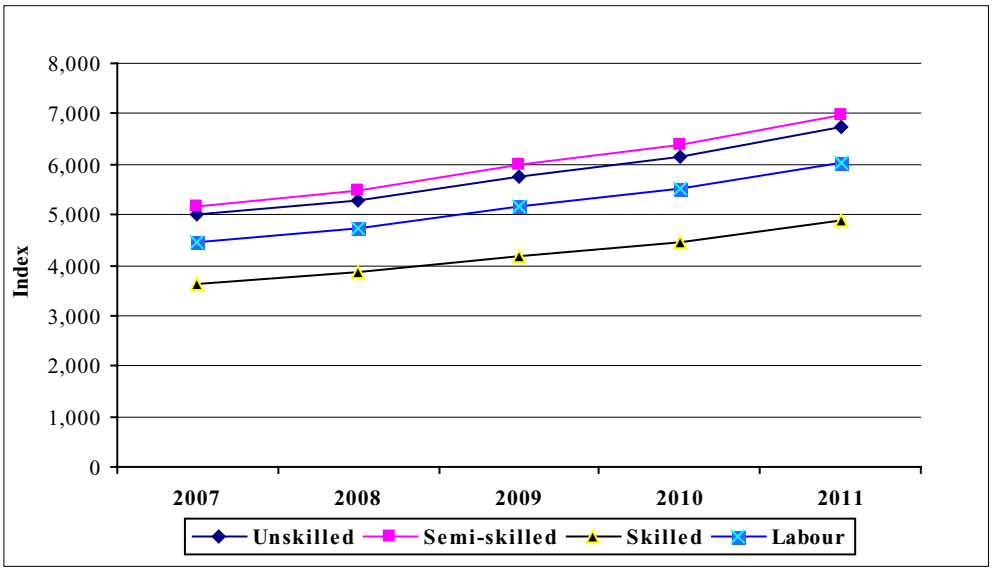
[1] From December to December.

[2] Refers mainly to road construction and includes bridges, dams etc

Note: Labour cost numbers sourced from Ministry of Labour

12.7. As shown in Figure 12.1, all labour construction cost indices have been on an upward trend. This is as a result of wage increases over the years.

Figure 12.1: Trend in Overall Labour Construction Cost Indices, 2007 – 2011 (Base 1982 = 100)



12.8. As indicated in Table 12.3, the wages for skilled, semi-skilled and unskilled labour grew by 9.8, 10.0 and 10.6 per cent respectively in 2011, the highest recorded over the last five years. This was as a result of higher wages awarded under the collective bargaining wage agreements in the year under review.

Table 12.3: Annual Percentage Change in Building and Construction Average Wages, 2007-2011

Year	Unskilled	Semi-skilled	Skilled
2007	6.6	6.8	7.0
2008	5.8	6.1	6.4
2009	9.1	8.9	8.6
2010	5.8	6.2	6.4
2011	10.6	10.0	9.8

Source: Ministry of Labour and Human Resource Development

12.9. Values of building plans approved by Nairobi and other towns for the last five years are shown in Table 12.4. The value of building plans approved in other towns recorded an increase of 22.1 per cent, from KSh 35,730.0 million in 2010 to KSh 43,614.3 million in 2011. The value of building plans approved in Nairobi increased to KSh 112,842.8 million in 2011 from KSh 96,100.0 million in 2010, an increase of 17.4 per cent. The total value of building plans approved went up by 18.7 per cent from KSh 131,830.2 million in 2010 to KSh 156,456.1 million in the year under review.

Table 12.4: Value of Building Plans Approved By Nairobi and Other Towns, 2007 – 2011

KSh Million

Year	Nairobi	Other Towns	Total
2007	59,765.1	7,322.7	67,087.8
2008	52,073.0	17,248.7	69,321.7
2009	78,303.7	15,888.4	94,192.1
2010	96,100.0	35,730.0	131,830.2
2011*	112,842.8	43,614.3	156,456.1

Source: Local Authorities

*Provisional.

12.10. Analysis of the values of reported private building works completed in selected towns for the period 2007 to 2011 is shown in Table 12.5. All the selected towns recorded increases

in the values of reported private building works completed in the year under review. Nairobi city registered a growth of 11.8 per cent from KSh 36,548.5 million in 2010 to KSh 40,854.1 million in 2011. Malindi town recorded the highest growth of 30.4 per cent from KSh 268.2 million in 2010 to KSh 349.7 million in 2011 followed by Mombasa with a growth rate of 27.4 per cent. This may partly be attributed to construction of facilities to cater for the tourism industry. The total value of works completed increased to KSh 43,125.8 million in 2011 from KSh 38,373.7 million in 2010, a rise of 12.4 per cent.

Table 12.5: Value of Reported Private Building[1] Works Completed in Selected Towns, 2007 – 2011

KSh million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
2007	9,786.7	831.0	52.5	166.3	132.6	10,969.2
2008	11,018.2	787.0	42.1	332.1	143.8	12,323.2
2009	20,600.5	530.8	124.5	289.6	206.7	21,752.0
2010	36,548.5	725.2	481.7	350.2	268.2	38,373.7
2011*	40,854.1	924.2	582.2	415.6	349.7	43,125.8

Source: Local Authorities

* Provisional.

12.11. Reported completions of new private buildings in selected towns from 2007 to 2011 are shown in Table 12.6. The number of residential units increased from 4,715 units in 2010 to 4,826 units in 2011 with a corresponding value of KSh 31,023.5 million and KSh 36,268.1 million. Non-residential buildings increased from 421 units in 2010 to 459 units in 2011 with a value of KSh 5,682.9 million and KSh 6,417.2 million, respectively. The total estimated cost of reported completions of new private buildings went up by 16.3 per cent to KSh 42,685.3 million in 2011 from KSh 36,706.4 million in 2010.

Table 12.6: Reported Completions of New Private Buildings[1] in Selected Major Towns[2], 2007 – 2011

	Number			Estimated Cost (KSh Million)		
Year	Residential	Non-Residential	Total	Residential	Non-Residential	Total
2007	2,350	52	2,402	4,773.3	1,124.8	5,898.1
2008	2,401	55	2,456	4,923.7	1,374.5	6,298.1
2009	3,557	103	3,660	13,435.3	3,107.2	16,542.5
2010	4,715	421	5,136	31,023.5	5,682.9	36,706.4
2011*	4,826	459	5,285	36,268.1	6,417.2	42,685.3

Source: Local Authorities

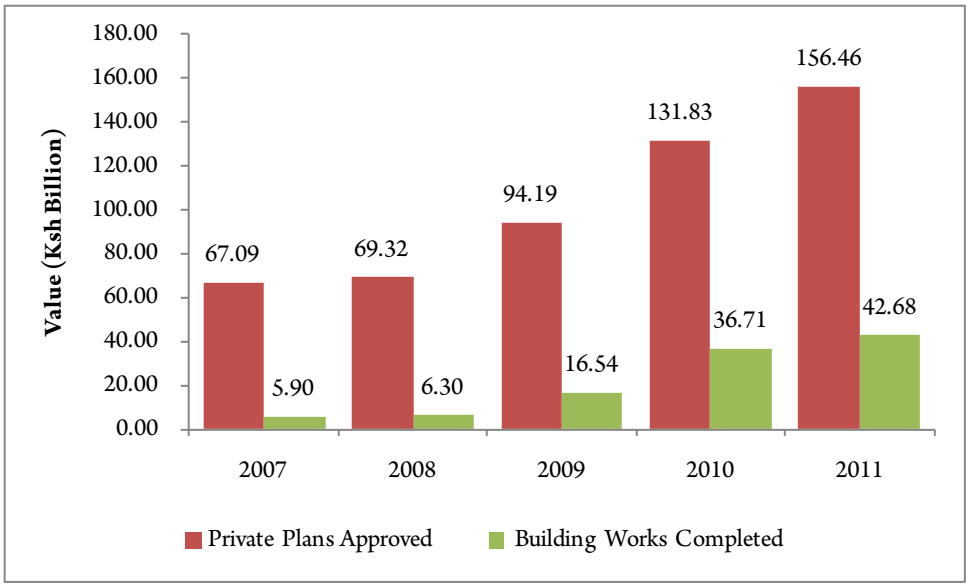
* Provisional

[1] Excluding the value of extensions

[2] Nairobi, Mombasa, Kisumu, Nakuru, Malindi

12.12. Further analysis of the value of private plans approved and reported new private building works completed for the last five years is illustrated in Figure 12.2. The number of reported new private buildings completed went up albeit at a slower pace in comparison with approved plans.

Figure 12.2: Comparison of Value of Private Plans Approved and Reported New Private Buildings Works Completed in Main Urban Towns, 2007-2011



12.13. Details on reported completions of new public buildings in selected towns for the five year period is shown in Table 12.7. The total number of reported completions of new public buildings went up to 587 units in 2011 from 390 units reported in 2010. The estimated cost increased from KSh 1,041.0 million in 2010 to KSh 2,614.2 million in 2011.

Table 12.7: Reported Completions of New Public Buildings[1] in Selected Towns2, 2007 – 2011

	Residential	Non-Residential	Total	Residential	Non-Residential	Total
2007	309	7	316	507.7	16.1	523.8
2008	88	73	161	210.2	232.8	443
2009	116	24	140	938.5	108.5	1,047.0
2010	390	..	390	1,041.0	..	1,041.0
2011*	587	..	587	2,614.2	..	2,614.2

Source: Local Authorities, National Housing Corporation & Ministry of Public Works

* Provisional.

[1]Including the value of extensions.

[2]Nairobi, Mombasa, Kisumu, Nakuru, Malindi

Housing

12.14. The housing industry remained vibrant in 2011 due to increased investment in real estate. Demand for housing coupled with availability of credit from the commercial banks and mortgage institutions provided the necessary support to the industry. The major challenges faced by the housing sector in the year under review were high cost of materials and labour, high interest rates for long term mortgage borrowing and inadequate serviced land. This led to high cost of the houses due to the charge of installing infrastructure.

12.15 National Housing Corporation (NHC), the Government agency responsible for implementing housing programmes and policies, undertook a number of housing activities in 2011. The number of completed units were 255 in 2011 compared to 390 in 2010. These comprised of 215 units in Nairobi and 40 in Kisii at a total cost of KSh 1,282.7 million. The ongoing projects as at 31st December 2011 were; 45 bungalows in Nyeri, 812 flats in Nairobi estimated to cost KSh 3,530.0 million upon completion. The Corporation advanced housing loans by county amounting to KSh 212.6 million as shown in Table 12.8. There are 726 units at the planning stage to be constructed across the country.

Table 12.8: Housing Loans Advanced by County, 2010/2011

County	Number of Loans	Amount (KSh `000)
Bungoma	4	5,800.0
Embu	7	9,480.0
Homa Bay	3	4,740.0
Kajiado	29	48,110.0
Kakamega	3	4,370.0
Kiambu	17	25,330.0
Kisii	5	9,000.0
Kisumu	7	7,650.0
Machakos	8	9,745.0
Nairobi	42	64,455.0
Nakuru	3	2,440.0
Siaya	3	4,570.0
Trans Nzoia	4	6,050.0
Others	11	10,840.0
Total	**135**	**212,580.0**

Source: National Housing Corporation

12.16. Data on approved and actual Central Government expenditure on housing for the 2007/08 to 2011/12 is shown in Table 12.9. Actual expenditure on housing went up significantly from KSh 1863.6 million in 2009/10 to KSh 2,829.5 million in 2010/11. The increase was as a result of improved provision of financial resources for housing development through Civil Servant Housing Scheme Development Fund and introduction of Civil Servant Housing Mortgage scheme. The actual expenditure in 2009/10 was less by KSh 218.4 million to the approved expenditure compared to an almost complete utilization in 2010/11. In 2011/12 the approved expenditure on housing is expected to be almost one and a half times the figures reported in the previous year.

Table 12.9: Approved and Actual Central Government Expenditure on Housing, 2007/08 – 2011/12

Year	Expenditure in KSh Million		Actual Expenditure as Percentage of Approved Expenditure
	Approved	Actual	
2007/08	3,130.1	2,853.5	91.2
2008/09	3,781.6	3,333.8	88.2
2009/10	2,082.0	1,863.6	89.5
2010/11*	2,840.9	2,829.5	99.6
2011/12**	4,025.5	..	..

Source: Ministry of Housing

* Provisional

**Estimates

Roads

12.17. The Ministry of Roads' principal mandate is to provide regulatory framework, coordinate, oversee and supervise smooth functioning of the road sub-sector. The Kenya Roads Board, a parastatal in the Ministry of Roads, coordinates the development and maintenance of road network. Disbursement of funds by KRB from the Roads Maintenance Levy Fund (RMLF) to the various roads agencies is expected to increase by 3.0 per cent to KSh 24.1 billion in 2011/12 from KSh 23.4 billion in 2010/11.

12.18. Table 12.10 shows the total expenditure on roads for the last five financial years. The overall expenditure is expected to go up by 34.4 per cent from KSh 61,187.9 million in 2010/11 to KSh 82,252.3 million in 2011/12. This is largely to fund construction/rehabilitation of trunk roads, which are expected to take the highest portion amounting to KSh 38,646.9 million. The total development expenditure on roads for 2011/12 is expected to go up by 42.8 per cent to stand at KSh 69,454.9 million. Recurrent expenditure on roads is expected to increase slightly

by 2.0 per cent to KSh 12,797.4 million in 2011/12.

Table 12.10: Total Expenditure on Roads, 2007/08 - 2011/12

KSh Million

	2007/08	2008/09	2009/10	2010/11*	2011/12**
Development:					
Trunk Roads	16,605.3	20,126.6	28,514.6	16,243.7	38,646.9
Primary Roads	7,988.3	7,433.8	11,579.1	19,503.7	16,741.6
Secondary Roads	2,898.4	7,770.7	7,877.6	8,636.3	9,424.2
Miscellaneous Roads	2,973.1	948.4	4,730.0	4,253.7	4,641.8
Total	**30,465.2**	**36,279.6**	**52,701.3**	**48,637.4**	**69,454.9**
Recurrent (maint. & repair)	11,795.4	10,163.8	15,446.2	12,550.5	12,797.4
Grand Total	**42,260.6**	**46,443.3**	**68,147.4**	**61,187.9**	**82,252.3**

Source: Ministry of Roads

*Provisional

**Estimates

12.19. Table 12.11 shows the status of Roads 2000 Programme as at June 2011 per province. A total of five Development Partners funded the Programme. All the projects under the programme were complete except for Eastern region, which had 12.1 per cent of roads incomplete as at June 2011.

Table 12.11: Status of Roads 2000 Programme as at June 2011

Region	Planned (Km)	Km completed since 2004	Percentage completed	2010/11 (KSh Million)	Status
North Rift	934	993	106.3	1,100	Complete
South Rift	1,637	1,399	85.5	900	Complete
Central	890	1,015	114	33	Complete
Eastern	1,173	1,031	87.9	140	Ongoing
Nyanza	1,600	1,636	102.3	1,022.4	Complete
Total	6,234	6,074		3,195	

12.20. Kilometres of road network by type and classification as at 1st July 2007 and 1st July 2011 are shown in Table 12.12. The kilometres of road under earth/ gravel decreased from 53.6 thousand km in 2007 to 53.1 thousand km in 2011. The kilometres of road under bitumen increased to 8.9 thousand km in 2011 from 8.8 thousand km in 2007 as is evident from increased budgetary allocation by the government to roads construction and rehabilitation.

Table 12.12: Kilometres of Road as at 1st July, 2007 and 1st July, 2011 by Type and Classification

'000 Km

Type of Road	2007		2011*	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A - International Trunk	2.89	0.87	2.92	0.82
B - National Trunk	1.43	1.37	1.49	1.16
C – Primary	2.49	5.18	2.54	5.16
D – Secondary	1.17	10.05	1.24	9.48
E – Minor	0.75	25.80	0.58	26.07
F - Special Purpose[1]	0.11	10.37	0.11	10.38
TOTAL	**8.84**	**53.64**	**8.88**	**53.07**

Source: Ministry of Roads

*Provisional

[1]Special purpose roads include Government access, settlement, rural access, sugar, tea and wheat roads

12.21. Table 12.13 presents data on major road works in 2011/12. A total of KSh 69,986.1 million is expected to rehabilitate 774.0 km of roads, while KSh 71,708.8 million will be used to construct 1,348.5 km of roads. During the same period KSh 245.3 million was used to gravel 40 km of roads. Overall, a total of KSh. 141,940.2 million will be used on road works covering a total distance of 2,162.5 kilometres.

Table 12.13: Major Road Works in Progress1 in 2011/12

Activity	Length(Km)	Contract Amount (KSh
Roads constructed		
Mihuti-Wanjerere	33.1	1,451.2
Ndumberi-Limuru-Kigwaru	33.4	1,848.2
Meru-Mikinduri-Maua	32.0	1,843.0
Lanet-Elementaita-Mau Narok	20.0	1,026.4
Kaharati-Njiiris	38.5	1,651.9
Ebuyango-Ekero	31.0	1,034.4
Homa bay-Mbita	43.0	3,388.3
Emali-Loitokitok	100.0	4,236.2
Ena-Ishiara-Meru	60.0	2,798.5
Ndori-Ngiya	20.0	1,363.8
Kamukuywa-Kaptama-Kapsokwony	67.0	2,699.6
Makutano-Kikima-Tawa	42.0	1,895.1
Isiolo-Merille river	136.0	4,875.4
Londiani-Fort Ternan	63.0	4,456.4
Nairobi Eastern & Northern Bypass	52.0	8,549.8
Bondo-Misori/Kipasi Owimbi	54.0	2,483.5
Ruiri-Isiolo-Muriri	75.0	2,996.2
Miiri-Itundu	38.1	1,100.8
Kendu Bay-Homa Bay	48.0	3,359.6
Stand Kisa-Khumusalaba	23.0	743.7
Meru-Marimba-Nkubu-Mitungu	46.1	3,323.4
Keroka-Nyangusu Phase II	40.0	1,885.7
Daraja Mbili-Eronge-Kegogi-Miruka	50.0	1,803.7
Imenti-Kionyo-Chogoria	38.9	3,502.8
Gatugi-Mugaa-ini-Witima-Kiganjo-Mucharage-Kairo	71.3	3,156.9
Kagere-Gitugi-& Ndunyu Miirini-Kairo-Kiriaini	37.1	1,734.3
Mariakani-Kilifi	56.0	2,500.0
Sub-Total	1,348.5	71,708.8
Roads rehabilitated		
Athi River-Namanga	136.0	6,208.7
Njoro Turn Off-Mau Summit- Timboroa	83.5	4,830.0
Kericho-Nyamasaria	76.0	8,050.0
Mau Summit-Kericho (0421(BI)	58.0	6,850.0
Machakos Turn off-JKIA	33.4	5,973.9
Machakos Turn off-Sultan Hamud	55.0	3,040.0
Lewa-Isiolo	29.5	1,801.2
Bomet-Litein	42.0	1,498.3
Rongo-Homa Bay	39.5	1,110.0
Nairobi-Thika (Lot I)	12.4	8,030.4
Nairobi-Thika (Lot II)	14.0	8,690.6
Nairobi-Thika (Lot III)	23.9	9,938.6
Road to State House, Eldoret	0.8	22.8
Oginga Odinga Road, Nakuru	13.0	369.9
Kenchic-Kiawaroga	2.5	69.5
Kiganjo-Mundoro road	50.0	1,375.7
Mukuyu-Githambo-Kiruri road	50.0	1,384.2
Kibunja-Molo-Olenguruone road	54.5	742.3
Sub-Total	774.0	69986.1
Roads graveled		
Gatundu-Karinga-Flyover Phase I	35.0	235.4
Wamagata Road, Nakuru	5.0	9.9
Sub-Total	**40.0**	**245.3**
Total	**2,162.5**	**141,940.2**

Source: Ministry of Roads

[1] Includes works Completed

Chapter 13

Tourism

Overview

The tourism sector has continued to perform well despite various challenges affecting the sector. This was attributed to Government commitment in providing an enabling environment coupled with successful tourism promotion and the efforts aimed at diversification of source markets and ventures into emerging economies. In the review period, earnings from this sector rose to KSh 97.9 billion from KSh 73.7 billion in 2010. Despite security threats and travel advisories issued in 2011, international visitor arrivals increased by 13.3 per cent from 1,609.1 thousand in 2010 to 1,822.9 thousand in 2011.

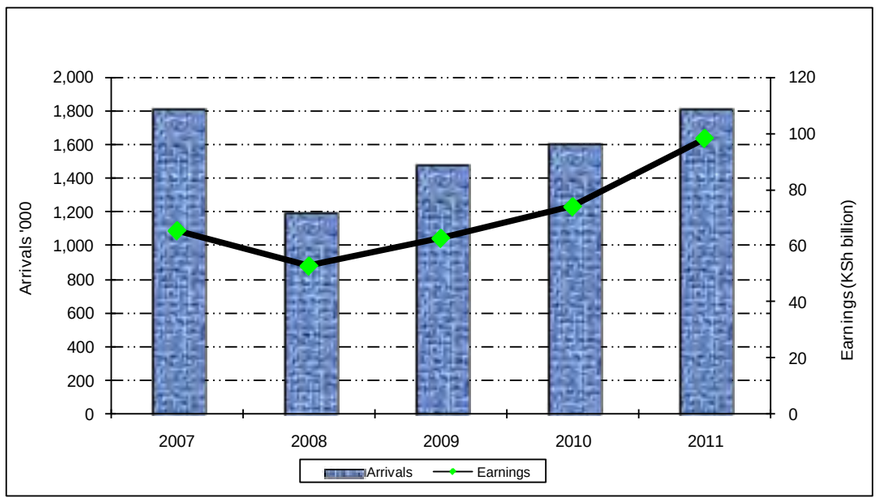
13.2. The number of bed-nights occupied increased by 5.3 per cent from 6,662.3 thousand in 2010 to 7,015.2 thousand in 2011. Similarly, the number of local conferences held increased to 2,995 in 2011 while the number of international conferences rose from 254 in 2010 to 309 in 2011.

13.3. Despite the increase in the number of international visitor arrivals, the number of visitors to national parks and game reserves decreased marginally from 2,764.9 thousand in 2010 to 2,664.1 thousand in 2011. Similarly, the number of visitors to museums, snake parks and other historical sites reported a 10.5 per cent decrease to 843.4 thousand in 2011 from 942.0 thousand in 2010.

Arrivals and Departures

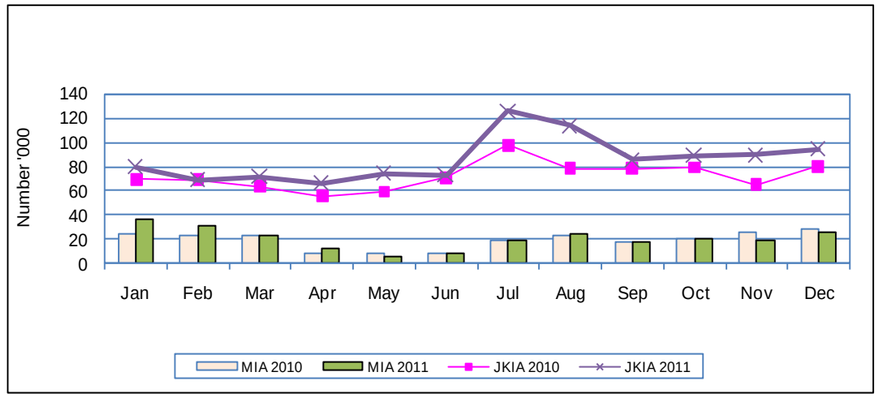
13.4. The Government's strategy to market the country as a safe tourist and investment destination has been crucial in promoting the tourism sector and to the steady increase in arrivals since 2008. In 2011, the number of visitor arrivals rose further to reach the levels recorded in 2007. Similarly, earnings from tourism activities continued on an upward trend as illustrated in Figure 13.1.

Figure 13.1: Trends in Visitor Arrivals and Tourism Earnings, 2007 – 2011



13.5. Figure 13.2 shows the monthly international visitor arrivals through the country's major international airports for the periods 2010 and 2011. During 2011, the monthly number of tourists arriving through Jomo Kenyatta International Airport (JKIA) remained higher than the numbers recorded in the previous year. However, Moi International Airport (MIA) in Mombasa recorded mixed performance for the two years, with most of the monthly figures remaining at the same level. For JKIA, the number of arrivals peaked in July 2011 while the lowest number of arrivals were recorded in April 2011.

Figure 13.2: Number of Visitor Arrivals through JKIA and MIA, 2010 -2011



13.6. Table 13.1 presents the number of international visitor arrivals by purpose of visit. The total number of arrivals went up by 13.3 per cent from 1,609.1 thousand visitors in 2010 to 1,822.9 thousand visitors in 2011, with the majority of them being visitors on holiday. The number of international visitor arrivals on holiday grew by 19.9 per cent from 1,100.7 thousand in 2010 to 1,319.9 thousand in 2011. On the other hand, the number of international visitor arrivals on transit decreased by 47.7 per cent from 139.5 thousand in 2010 to 72.9 thousand in 2011. During the review period, the sector realised visitor arrivals in the levels witnessed before the post-election violence after recording three years of steady growth. The highest number of arrivals was reported in the third quarter while the lowest number of visitors was recorded in the second quarter.

Table 13.1: Quarterly International Visitor Arrivals by Purpose of Visit, 2007-2011

'000

Quarter	Purpose	2007	2008	2009	2010	2011*
1st Qtr.	Holiday	298.4	201.6	248.6	261.2	302.8
	Business	75.8	20.4	44.1	59.7	63.6
	Transit	41.2	5.8	21.8	34.2	22.2
	Other	59.2	6.9	37.8	33.5	38.5
	TOTAL	**474.6**	**234.7**	**352.4**	**388.6**	**427.1**
2nd Qtr.	Holiday	263.0	205.6	211.6	228.7	235.5
	Business	51.6	18.6	46.4	48.6	56.0
	Transit	31.3	13.5	23.8	32.2	21.1
	Other	37.9	20.2	34.6	25.9	64.7
	TOTAL	**383.9**	**257.9**	**316.4**	**335.5**	**377.4**
3rd Qtr.	Holiday	380.6	243.7	294.7	302.6	411.9
	Business	64.7	33.1	46.4	62.0	50.1
	Transit	28.2	20.8	29.3	40.0	15.3
	Other	37.8	44.0	50.2	49.8	50.1
	TOTAL	**511.2**	**341.6**	**420.7**	**454.4**	**527.4**
4th Qtr.	Holiday	336.5	285.2	306.3	308.2	369.7
	Business	50.1	37.2	43.6	58.6	62.4
	Transit	30.2	21.8	23.4	33.2	14.2
	Other	30.3	24.7	27.7	30.7	44.6
	TOTAL	**447.2**	**369.0**	**401.0**	**430.7**	**491.0**
Annual	Holiday	1278.5	936.1	1061.2	1100.7	1,319.9
	Business	242.3	109.4	180.6	228.9	232.1
	Transit	130.9	62.0	98.4	139.5	72.9
	Other	165.2	95.8	150.2	140.0	198.0
	TOTAL	**1,817.0**	**1,203.2**	**1,490.4**	**1,609.1**	**1822.9**

*Provisional

13.7. The total number of international departures rose from 1,502.4 thousand in 2010 to 1,528.4 thousand in 2011 as shown in Table 13.2. As observed with arrivals, the majority of departures were those of visitors on holiday. This category of departures rose slightly from 1,085.1 thousand in 2010 to 1,119.5 thousand in 2011. Over the same period, departures of visitors on business went up by 14.6 per cent to reach 198.3 thousand. Similarly, departures of those on holiday rose by 3.2 per cent. However, transit departures decreased significantly from 102.2 thousand in 2010 to 61.6 thousand in 2011.

Table 13.2: Quarterly International Visitor Departures by Purpose of Visit, 2007-2011

'000

Quarter	Purpose	2007	2008	2009	2010	2011*
1st Qtr.	Holiday	314.2	210.1	258.7	265.6	277.6
	Business	65.5	18.9	38.0	40.0	56.9
	Transit	35.4	10.1	22.9	25.5	20.4
	Other	58.9	11.9	39.4	42.3	36.6
	TOTAL	**474.0**	**251.0**	**359.0**	**373.3**	**391.5**
2nd Qtr.	Holiday	270.2	193.4	217.5	220.2	204.9
	Business	49.1	19.9	44.4	45.3	52.4
	Transit	20.8	14.1	17.2	17.6	17.2
	Other	32.6	21.6	23.3	24.5	31.9
	TOTAL	**372.7**	**249.1**	**302.5**	**307.6**	**306.2**
3rd Qtr.	Holiday	352.6	251.5	282.0	290.3	322.8
	Business	63.8	31.9	40.1	41.6	31.4
	Transit	33.0	17.7	32.1	34.6	12.0
	Other	48.1	15.5	44.0	45.9	47.1
	TOTAL	**497.5**	**316.7**	**398.1**	**412.5**	**413.3**
4th Qtr.	Holiday	295.0	236.6	306.7	309.0	314.2
	Business	53.9	38.1	46.8	46.2	57.5
	Transit	35.4	23.3	25.3	24.5	12.1
	Other	43.7	28.3	29.9	29.2	33.4
	TOTAL	**427.9**	**326.3**	**408.6**	**408.9**	**417.3**
Annual	Holiday	1,232.0	891.7	1,064.9	1,085.1	1,119.5
	Business	232.3	108.9	169.3	173.1	198.3
	Transit	124.6	65.2	97.4	102.2	61.6
	Other	183.2	77.3	136.6	141.9	149.1
	TOTAL	**1,772.1**	**1,143.1**	**1,468.2**	**1,502.4**	**1,528.4**

*Provisional

13.8. The number of visitors departing by country of residence and purpose of visit is shown in Table 13.3. The total number of departing visitors whose purpose of visit was holiday, business or transit went up marginally from 1,360.4 thousand in 2010 to 1,379.4 thousand in 2011. European residents comprised more than half of all departures while Asia, with an increase of about 10,000, recorded the largest increase in departures. Each of the continents except Africa recorded an increase in the number of departures between 2010 and 2011.

Table 13.3: Departing Visitors by Country of Residence and Purpose of Visit[1], 2009-2011

'000

Country of Residence	Holiday			Business			Transit			Total		
	2009	2010	2011*	2009	2010	2011*	2009	2010	2011*	2009	2010	2011*
Germany	121.0	125.1	129.1	20.3	20.5	22.0	8.4	9.2	6.1	149.7	154.8	157.2
United Kingdom	204.2	205.0	206.1	30.3	30.5	32.1	11.5	11.6	8.2	245.9	247.1	246.5
Switzerland	36.4	37.2	39.1	3.3	3.4	4.1	3.4	3.5	2.5	43.1	44.1	45.8
Italy	85.7	85.8	87.4	22.7	23.0	24.3	3.7	3.8	2.0	112.1	112.6	113.6
France	38.9	39.2	39.7	9.3	9.4	10.5	3.0	3.3	3.0	51.3	52.0	53.1
Scandinavia	33.3	34.7	36.1	4.8	4.9	5.1	3.4	3.5	3.0	41.5	43.1	44.3
Other Europe	103.9	103.9	107.0	14.2	14.4	16.9	6.6	6.8	1.5	124.7	125.1	125.3
TOTAL EUROPE	**623.3**	**630.8**	**644.5**	**105.0**	**106.1**	**115.0**	**40.0**	**41.8**	**26.3**	**768.3**	**778.8**	**785.8**
U.S.A	107.1	111.1	113.5	13.7	13.8	16.0	6.4	6.6	3.1	127.2	131.5	132.6
Canada	23.0	23.5	25.2	2.6	2.7	3.0	2.5	2.6	1.5	28.1	28.9	29.7
TOTAL NORTH AMERICA	**130.1**	**134.6**	**138.6**	**16.3**	**16.5**	**19.0**	**8.9**	**9.2**	**4.6**	**155.3**	**160.4**	**162.3**
Uganda	32.6	32.8	34.2	5.8	6.0	7.2	4.3	4.6	2.5	42.7	43.4	43.9
Tanzania	33.7	33.8	35.0	6.5	6.8	8.1	5.9	6.0	3.1	46.1	46.6	46.2
Other Africa	111.7	114.0	114.0	11.9	11.9	14.9	22.7	23.8	15.0	146.2	149.8	144.0
TOTAL AFRICA	**178.0**	**180.7**	**183.2**	**24.2**	**24.7**	**30.3**	**32.9**	**34.3**	**20.6**	**235.0**	**239.7**	**234.1**
India	29.3	31.8	33.0	5.5	5.7	6.1	3.4	3.6	2.5	38.2	41.2	41.6
Japan	13.5	13.7	15.6	4.0	5.0	7.7	1.2	1.3	1.0	18.8	20.1	24.3
Israel	7.4	8.2	10.3	2.1	2.5	2.6	1.2	1.4	1.1	10.8	12.0	14.0
Other Asia	47.3	47.4	50.6	7.0	7.1	9.1	4.2	4.4	2.5	58.5	58.9	62.1
TOTAL ASIA	**97.4**	**101.2**	**109.5**	**18.7**	**20.3**	**25.5**	**10.1**	**10.7**	**7.0**	**126.2**	**132.2**	**142.0**
Australia and New Zealand	17.7	18.4	21.0	3.3	3.6	5.2	1.9	2.0	1.0	22.8	24.0	27.3
All Other Countries	18.4	19.3	22.5	1.8	1.9	3.3	3.7	4.0	2.0	24.0	25.3	27.9
TOTAL	**1,064.9**	**1,085.1**	**1,119.5**	**169.3**	**173.1**	**198.3**	**97.4**	**102.2**	**61.6**	**1,331.6**	**1,360.4**	**1,379.4**

* Provisional

[1]Excludes visitors whose purpose of visit is "Other"

13.9. Table 13.4 gives a summary of the number of days spent by visitors categorised by purpose of visit. The total number of visitor-days stayed rose by 4.0 per cent from 17,797.3 thousand days in 2010 to 18,511.9 thousand days in 2011 driven by the increase in holiday and business visitors. Similarly, the average length of stay increased from 13.1 days in 2010 to 13.4 days in 2011. The number of visitor-days and the average length of stay both show an upward trend since 2008 indicating recovery from the post election violence.

Table 13.4: Number of Visitor-Days Stayed[1] by Purpose of Visit, 2007-2011

Purpose	Units	2007	2008	2009	2010	2011*
Holiday	'000	15,754.4	9,721.9	13,563.0	15,237.4	15,719.8
Business	'000	2,803.6	1,182.8	1,845.5	2,303.6	2,637.6
Transit	'000	281.1	135.1	208.0	256.3	154.5
TOTAL	'000	**18,839.0**	**11,039.8**	**15,616.5**	**17,797.3**	**18,511.9**
Average length of stay in days		11.9	10.4	11.7	13.1	13.4

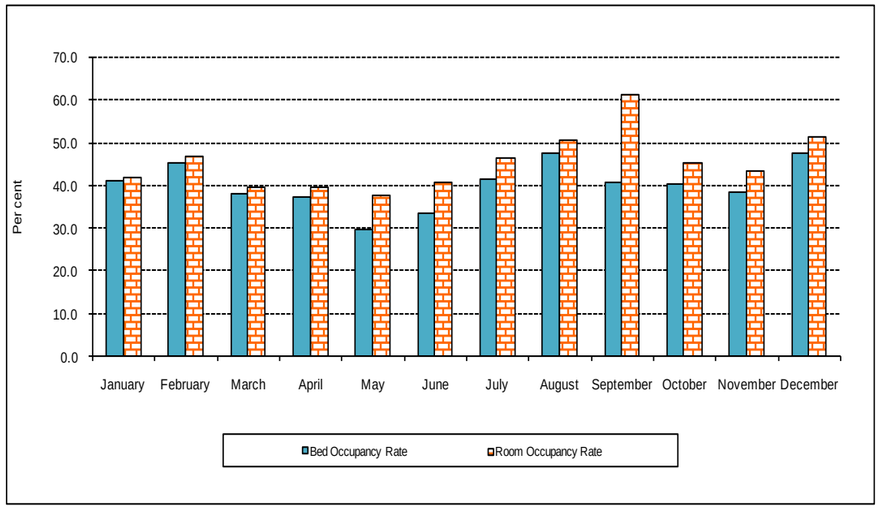
* Provisional

[1]Excludes days stayed by "Other Visitors" Category

Hotel Occupancy by Country of Residence

13.10. Figure 13.3 depicts monthly bed and room occupancy rates in 2011. The highest room occupancy rate was recorded in the month of September. The months of August and December recorded relatively high bed occupancy while May recorded the lowest rates for both bed and room occupancy.

Figure 13.3: Monthly Bed and Room Occupancy Rates, 2011



13.11. Hotel bed-nights occupancy by country of residence is shown in Table 13.5. The number of bed-nights occupied in hotels, lodges and other rooming houses rose from 6,662.3 thousand in 2010 to 7,015.2 thousand in 2011, representing a 5.3 per cent increase. Bed-nights occupied by residents from Europe dropped from 2,933.4 thousand in 2010 to 2,870.6 thousand in 2011, reflecting a 2.1 per cent decline. The large decreases in the number of bed-nights occupied by residents from United Kingdom and Italy led to the overall reduction in the bed-nights occupancy by European residents. Occupancy by residents from Africa increased by 10.1 per cent from 2,800.6 thousand in 2010 to 3,082.7 thousand in 2011 with the highest increase of 20.0 per cent being realized from East and Central Africa. Bed-nights occupancy by nationals from Asia grew by 29.4 per cent from 262.3 thousand in 2010 to 339.3 thousand in 2011 with residents of China contributing the largest increase of 38.9 thousand bed-nights.

Table 13.5: Hotel Bed - Nights Occupancy by Country of Residence, 2007-2011

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Country of Residence	2007	2008	2009	2010	2011*
Permanent Occupants[1]	25.0	52.4	29.7	52.9	58.5
Germany	926.1	339.5	685.6	563.2	677.0
Switzerland	174.2	66.8	127.5	83.1	95.8
United Kingdom	1,223.1	486.6	909.7	964.7	765.9
Italy	536.5	158.2	383.2	651.0	495.3
France	304.3	63.8	231.8	222.7	239.5
Scandinavia	129.8	48.7	97.3	84.1	113.2
Other Europe	543.7	160.0	363.0	364.6	484.0
EUROPE	**3,837.8**	**1,323.7**	**2,798.1**	**2,933.4**	**2,870.6**
Kenya Residents	1,869.8	1,566.6	2,150.9	2,348.9	2,603.4
Uganda	52.2	43.2	103.0	67.9	76.2
Tanzania	54.7	43.1	71.1	61.5	68.5
Central and 'Other East' Africa	67.3	41.5	87.1	84.6	101.5
West Africa	35.6	26.3	45.4	55.1	63.1
North Africa	43.9	17.0	25.4	28.3	30.9
South Africa	73.6	52.6	87.8	88.1	88.4
Other Africa	71.8	59.9	65.9	66.2	50.8
AFRICA	**2,268.8**	**1,850.1**	**2,636.6**	**2,800.6**	**3,082.7**
U.S.A	270.9	148.1	233.8	254.2	283.8
Canada	64.0	32.2	58.5	59.8	64.7
Other America	34.2	16.7	33.4	33.1	38.4
AMERICA	**369.2**	**196.9**	**325.7**	**347.2**	**386.9**
Japan	45.7	18.2	37.8	40.8	43.0
India	60.5	51.2	83.3	91.1	110.1
Middle East	38.0	20.0	37.5	36.6	43.6
China	43.2	20.7	33.2	50.7	89.6
Other Asia	41.7	26.4	41.0	42.9	53.0
ASIA	**229.2**	**136.5**	**232.8**	**262.3**	**339.3**
Australia and New Zealand	56.9	42.3	54.9	60.2	63.0
All Other Countries	152.5	97.1	165.2	205.6	214.1
TOTAL-OCCUPIED	**6,939.4**	**3,699.0**	**6,243.0**	**6,662.3**	**7,015.2**
TOTAL-AVAILABLE	**14,711.6**	**14,233.6**	**17,125.3**	**17,161.8**	**17,419.6**
Occupancy rate %	**47.2**	**26.0**	**36.5**	**38.8**	**40.3**

*Provisional

[1]Persons staying one month or more in one hotel -includes some block bookings for air crew

13.12. The distribution of hotel bed-nights stayed by visitors in various zones of the country is shown in Table 13.6. There was impressive performance in the Coastal-Other as it recorded an increase of 87.8 per cent from 151.1 thousand in 2010 to 283.8 thousand in 2011. The number of bed-nights occupied in the Nairobi-High Class rose marginally from 1,123.6 thousand in 2010 to 1,155.7 thousand in 2011 while occupancy in Nairobi-Other went up significantly from 410.7 thousand in 2010 to 526.2 thousand in 2011. Similarly, Central and Northern Kenya recorded improved business activity in 2011 compared to 2010. The occupancy in the Coastal Beach zone decreased by 3.0 per cent from 3,243.0 thousand in 2010 to 3,144.6 thousand bed-nights in 2011. This decrease can be partly attributed to the decline in the number of visitors from the United Kingdom and Italy who are the main visitors to this zone.

Table 13.6: Hotel Bed-Nights by Zone, 2007-2011

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Zone	2007	2008	2009	2010	2011*
Coastal-Beach	3,768.1	1,643.7	3,011.4	3,243.0	3,144.6
Coastal-Other	153.5	118.1	152.5	151.1	283.8
Coastal Hinterland	210.5	93.9	210.9	119.6	82.3
Nairobi-High Class	1,028.4	716.2	1,164.1	1,123.6	1,155.7
Nairobi-Other	302.7	224.5	498.1	410.7	526.2
Central	388.9	255.1	347.5	463.5	683.3
Masailand	519.9	231.8	312.8	472.6	418.6
Nyanza Basin	246.6	185.4	213.2	301.2	301.9
Western	234.4	224.6	319.0	364.1	374.9
Northern	86.3	5.7	13.3	12.9	43.9
TOTAL-OCCUPIED	**6,939.4**	**3,699.0**	**6,242.8**	**6,662.3**	**7,015.2**
TOTAL-AVAILABLE	**14,233.6**	**14,233.6**	**17,125.3**	**17,161.8**	**17,419.6**

*Provisional

13.13. Figures 13.4a and 13.4b show the share of bed-nights occupied at the coast by area in the last two years. The South Coast, Mombasa Island, Kilifi, Malindi and Lamu recorded increases in bed-night occupancy despite fears of insecurity in the Indian Ocean. On the other hand, bed-night occupancy in North Coast decreased in 2011.

Figure 13.4a: Bed-Nights Occupancy at the Coast, 2010

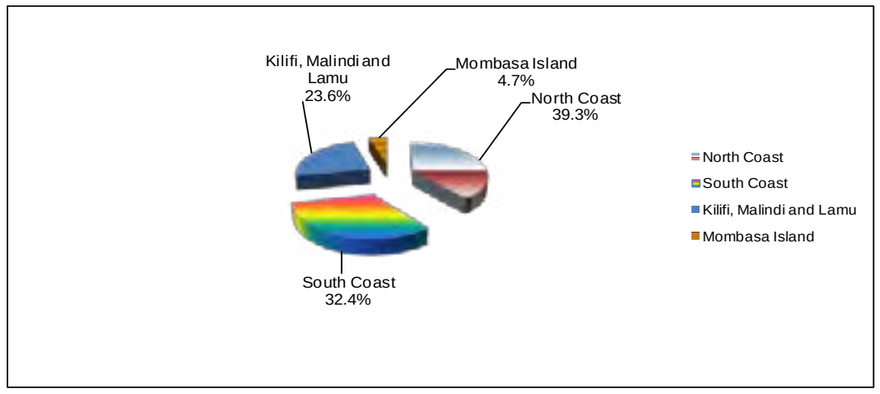
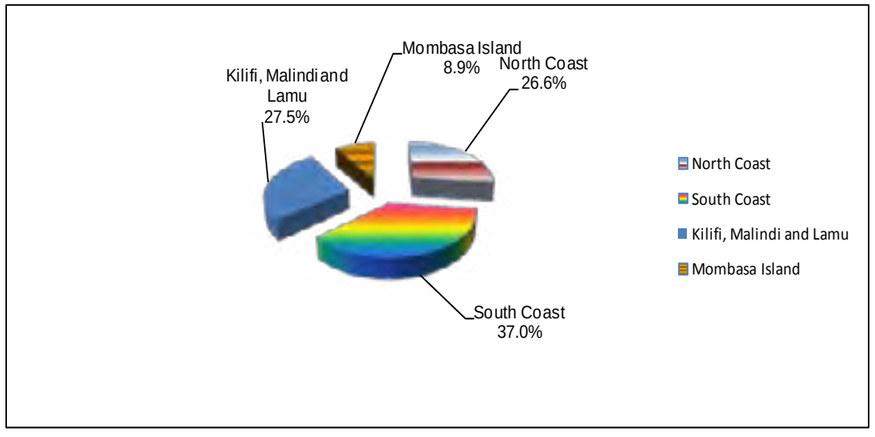


Figure 13.4b: Bed-Nights Occupancy at the Coast, 2011



13.14. A summary of bed-nights occupied by area and country of residence is shown in Table 13.7. Although the bed-night occupancy in the coastal region decreased slightly in 2011, half of the visitors preferred to stay in the region. The share of bed-nights occupied in Nairobi went up from 23.0 per cent in 2010 to 24.0 per cent in 2011. The share of bed-nights in lodges decreased from 7.3 per cent in 2010 to 6.6 per cent in 2011. Residents of Africa, America and Asia continued to occupy most of the hotel beds in Nairobi while Coast was dominated by residents of Kenya and Europe.

Table 13.7: Hotel Bed-Nights Occupancy by Area and Country of Residence, 2010 and 2011

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Country of Residence	Nairobi		Coast		Lodges		Others		Total	
	2010	2011*	2010	2011*	2010	2011*	2010	2011*	2010	2011*
Permanent Occupants[1]	10.3	8.7	9.6	36.5	1.9	2.5	31.2	10.9	52.9	58.5
Germany	32.8	38.5	487.5	597.0	32.9	26.4	10.0	15.2	563.2	677.0
Switzerland	11.3	13.6	63.7	73.4	6.4	6.5	1.7	2.4	83.1	95.8
United Kingdom	114.1	109.7	750.3	569.6	74.2	50.5	26.1	36.1	964.7	765.9
Italy	11.8	16.3	627.8	464.3	8.6	9.9	2.9	4.8	651.0	495.3
France	35.1	34.1	143.2	168.8	34.9	24.4	9.5	12.2	222.7	239.5
Scandinavia	26.2	30.8	34.4	61.3	18.6	15.3	4.9	5.7	84.1	113.2
Other Europe	79.3	81.9	226.6	329.4	41.0	41.3	17.8	31.4	364.6	484.0
Kenya	484.4	503.3	838.0	902.7	98.2	100.8	928.3	1,096.7	2,348.9	2,603.4
Uganda	37.3	44.7	22.7	22.5	0.3	0.6	7.6	8.5	67.9	76.2
Tanzania	38.9	48.5	17.9	15.8	0.9	0.9	3.7	3.3	61.5	68.5
East & Central Africa	67.3	80.3	14.5	18.5	0.6	0.6	2.1	2.1	84.6	101.5
West Africa	44.7	52.9	8.0	8.7	0.9	0.4	1.5	1.1	55.1	63.1
North Africa	22.6	23.6	4.7	6.1	0.5	0.7	0.6	0.5	28.3	30.9
South Africa	61.4	58.6	21.5	23.0	3.3	4.2	1.9	2.6	88.1	88.4
Other Africa	36.6	28.3	22.7	18.4	1.6	0.9	5.3	3.2	66.2	50.8
U.S.A.	128.0	142.2	39.8	39.6	57.9	64.1	28.5	37.9	254.2	283.8
Canada	34.3	29.9	11.0	15.4	9.8	12.0	4.8	7.4	59.8	64.7
Other America	14.6	15.6	9.6	12.6	6.5	6.4	2.4	3.8	33.1	38.4
Japan	16.8	20.0	2.9	3.7	16.5	12.4	4.6	6.9	40.8	43.0
India	45.6	56.9	19.0	17.7	19.0	19.9	7.6	15.6	91.1	110.1
Middle East	21.1	27.9	7.3	7.8	6.5	5.9	1.8	2.0	36.6	43.6
China	22.2	33.5	4.7	6.0	15.8	29.1	8.1	21.0	50.7	89.6
Other Asia	26.2	29.6	5.9	10.3	7.7	6.5	3.1	6.7	42.9	53.0
Australia & New Zealand	27.1	30.7	16.7	10.8	11.7	12.8	4.8	8.7	60.2	63.0
All Other Countries	84.2	122.0	103.8	70.9	9.4	7.6	8.2	13.6	205.6	214.1
TOTAL	**1,534.3**	**1,681.9**	**3,513.7**	**3,510.7**	**485.5**	**462.6**	**1,128.8**	**1,360.1**	**6,662.3**	**7,015.2**
PERCENTAGE SHARE	**23.0**	**24.0**	**52.7**	**50.0**	**7.3**	**6.6**	**16.9**	**19.4**	**100.0**	**100.0**

* Provisional

[1]Persons staying one month or more in one hotel-includes some block bookings for air crew

13.15. Data on the number of bed-nights occupancy in game reserves and national parks is shown in Table 13.8. The number of bed-nights occupied by East African residents in game reserves increased from 24.0 thousand in 2010 to 31.1 thousand in 2011. On the contrary, bed-nights occupied by foreign residents went down by 6.7 per cent to stand at 360.3 thousand in 2011. The number of foreign residents that opted for self-service went up from 28.7 thousand in 2010 to 34.3 thousand in 2011.

Table 13.8: Game Lodges[1] Occupancy, 2009 – 2011

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	Bed-Nights Occupied					
	Foreign Residents			E.A. Residents		
	2009	2010	2011*	2009	2010	2011*
Game Reserves	167.9	105.5	113.5	22.3	24.0	31.1
National Parks	228.1	280.5	246.8	64.6	75.4	71.1
TOTAL	**396.0**	**386.1**	**360.3**	**86.9**	**99.4**	**102.2**
Of which full Catering	379.2	357.4	326.0	80.7	60.2	87.3
Self Service	16.8	28.7	34.3	6.2	39.1	14.9

*Provisional

[1]Lodges in National Parks and Game Reserves

National Parks and Game Reserves

13.16. The number of visitors to national parks and game reserves for the last five years is presented in Table 13.9. The number of visitors decreased marginally from 2,764.9 thousand in 2010 to 2,664.1 thousand in 2011. There were sharp declines in the number of visitors to Tsavo West and Maasai Mara National Parks. However, improvement was recorded in Nairobi National Park where the number of visitors increased from 120.8 thousand visitors in 2010 to 135.1 thousand visitors in 2011. Similarly, the number of visitors to Haller's Park increased from 120.4 thousand in 2010 to 149.8 thousand in 2011. Majority of visitors to Game parks and reserves in 2011 continued to be adult non-residents and citizens as depicted in Figure 13.5. The number of Kenyan citizens visiting these protected areas remained high due to vigorous marketing through advertisements such as *travel diaries* and the KWS slogan *twende tujivinjari* in promotion of domestic tourism.

Table 13.9: Number of Visitors to National Parks and Game Reserves, 2007-2011

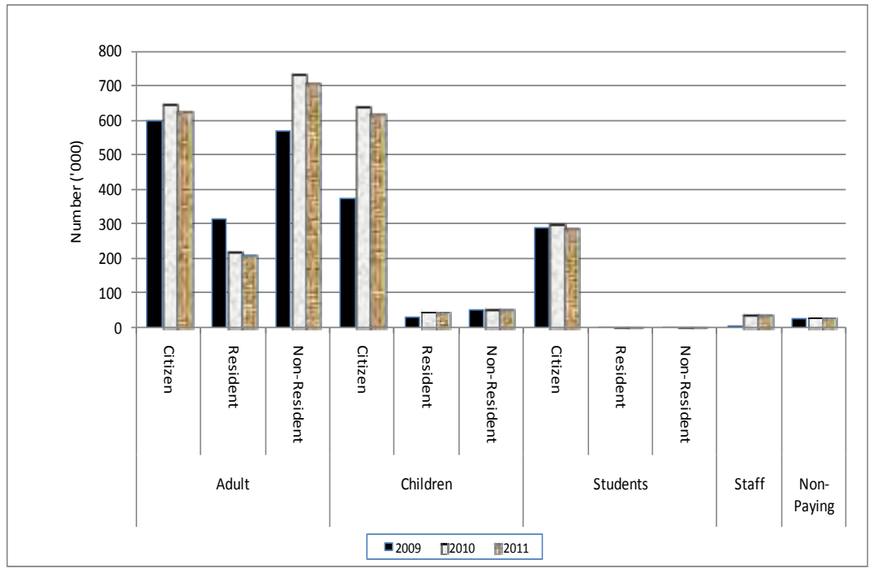
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Park/Reserve	2007	2008	2009	2010	2011
Nairobi	93.0	91.8	102.7	120.8	135.1
Nairobi Safari Walk	205.8	202.1	258.5	201.1	176.3
Nairobi Mini Orphanage	264.8	284.5	450.4	490.2	403.0
Amboseli	156.4	84.7	133.0	209.0	176.2
Tsavo (West)	134.8	71.2	102.7	138.1	98.9
Tsavo (East)	237.1	110.9	203.8	264.2	268.0
Aberdare	50.4	26.2	36.7	42.8	45.8
Lake Nakuru	346.8	137.7	189.3	241.2	245.0
Maasai Mara	311.8	59.6	157.9	187.3	138.2
Haller's Park	140.9	135.2	137.3	120.4	149.8
Malindi Marine	40.3	29.7	43.4	46.9	49.5
Lake Bogoria	64.9	50.8	79.5	94.4	108.3
Meru	12.8	15.9	15.2	20.4	20.2
Shimba Hills	22.5	13.5	19.4	21.2	29.4
Mt. Kenya	39.6	21.7	25.0	29.2	33.3
Samburu	24.9	17.1	18.9	13.1	14.2
Kisite/Mpunguti	59.7	28.1	40.0	50.6	59.5
Mombasa Marine	39.2	26.6	27.9	37.9	38.3
Watamu Marine	32.2	17.4	16.5	25.4	37.3
Hell's Gate	91.2	80.0	87.4	121.8	133.1
Impala Sanctuary(Kisumu)	72.2	79.8	174.6	195.2	201.6
Mt. Longonot	24.7	27.8	30.8	39.1	43.2
Other[1]	29.0	21.5	34.4	54.8	60.1
TOTAL	**2,495.1**	**1,633.9**	**2,385.1**	**2,764.9**	**2,664.1**

*Provisional

[1] Includes Arabuko Sokoke, Ol-Donyo Sabuk, Marsabit, Saiwa swamp, Sibiloi, Bamburi, Chyulu, Ruma National Park, Mwea National Reserve, Central lsland National Park, Kiunga, Mt.Elgon, Nasolot, Ndere and Kakamega.

Figure 13.5: Visitors to National Parks and Game Reserves, 2009-2011



Museums, Snake Parks and Historical Sites

13.17. Table 13.10 presents the number of visitors to museums, snake parks and historical sites. The number of visitors to these facilities decreased from 942.0 thousand in 2010 to 843.4 thousand in 2011, representing a drop of 10.5 per cent. This was partly as a result of the reduction in the number of visitors to Nairobi Museum by 40.0 per cent from 284.4 thousand in 2010 to 170.6 thousand in 2011 and Snake Park by 10.4 per cent from 154.7 thousand in 2010 to 138.6 thousand in 2011. The decline was due to difficulty in accessing the premises because of on-going road construction works. However, visitors to Hyrax Hill in Nakuru rose from 2.1 thousand in 2010 to 11.2 thousand in 2011 whereas visitors to Kisumu Museum also increased from 104.1 thousand in 2010 to 110.9 thousand in 2011, representing a growth of 6.5 per cent. The number of visitors to museums, snake parks and historical sites was highest in July and lowest in the month of May 2011 as illustrated in Figure 13.6.

Table 13.10: Number of Visitors to Museums, Snake Parks and Historical Sites, 2007-2011

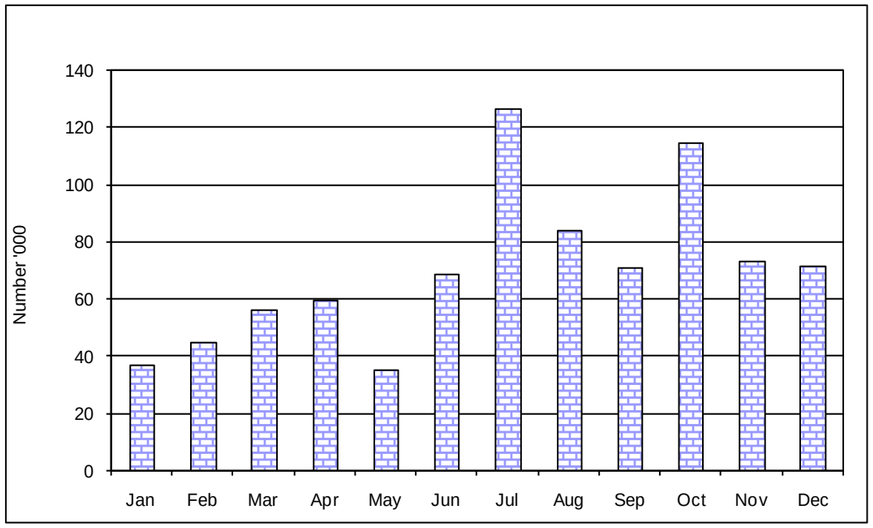
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Name of Museums	2007	2008	2009	2010	2011*
National Museum:(Main Gate)	..	164.1	232.7	284.4	170.6
National Museum:(Snake Park)	145.8	12.9	69.1	154.7	138.6
Fort Jesus	145.3	115.5	167.7	184.5	168.8
Kisumu Museum	90.0	75.3	89.7	104.1	110.9
Kitale Museum	36.2	23.5	30.6	32.0	38.7
Gedi	38.7	31.0	44.5	47.6	54.0
Meru Museum	18.2	14.3	19.2	28.9	21.8
Lamu	4.6	3.3	4.2	4.5	4.9
Jumba la Mtwana	7.1	7.0	9.8	8.8	8.4
Olorgessaile	1.7	1.5	1.1	..	4.6
Kariandusi	10.9	7.9	10.9	12.4	12.9
Hyrax Hill	7.5	5.0	7.7	2.1	11.2
Karen Blixen	56.2	13.5	40.2	46.7	54.5
Malindi Museum	24.1	9.9	22.9	21.4	30.2
Kilifi Mnarani	0.5	0.8	1.8	1.2	2.4
Kabarnet	2.2	1.5	2.3	1.2	1.7
Kapenguria	4.4	3.8	5.8	5.0	6.6
Pete Sites	0.0	0.1	0.1	0.1	0.0
Swahili House	0.7	0.4	0.6	0.6	0.6
Narok Museum	2.3	0.5	0.8	0.3	0.4
German Post	0.2	0.1	0.1	0.1	0.1
Takwa Ruins	1.8	1.3	1.5	1.4	1.3
Koobi Fora	..	..	..	0.1	0.1
TOTAL	**598.6**	**493.2**	**763.1**	**942.0**	**843.4**

* Provisional

.. not available/closed

Figure 13.6: Monthly Number of Visitors to Museums, Snake Parks and Historical Sites, 2011



Conference Tourism

13.18. The number of local conferences held in the country rose by 18.4 per cent from 2,529 in 2010 to 2,995 in 2011 as shown in Table 13.11. Likewise, the number of international conferences increased by 21.7 per cent from 254 to 309 in the same period. The number of delegates attending local and international conferences grew by 6.6 and 9.9 per cent, respectively during this period. The overall conferences percentage occupancy grew from 11.6 per cent in 2010 to 12.6 per cent in 2011. This was partly due to the high increase in local conferences held in 2011.

Table 13.11: Number of Conferences, 2009-2011

Number

	2009		2010		2011*	
	Local	International	Local	International	Local	International
No.of conferences	2,258	196	2,529	254	2,995	309
No.of delegates	228,165	29,025	383,441	30,554	408,596	33,566
No.of delegate days	459,512	137,804	467,781	153,081	497,523	197,562
No.of delegate days available	5,255,810	5,255,810	5,368,174	5,368,174	5,520,344	5,520,344
Percentage Occupancy	8.7	2.6	8.7	2.9	9.0	3.6

*Provisional

Training

13.19. The number of graduates completing training from Kenya Utalii College for the period 2007 to 2011 is shown in Table 13.12. The number rose from 2,985 in 2010 to 3,552 in 2011, a 19.0 per cent increase. Out of the three categories of courses, refresher in-service had the largest contribution to the increase, having risen from 1,178 in 2010 to 1,494 trainees in 2011. In 2011, graduates for management development programmes increased by 37.5 per cent from 192 in 2010 to 264 as a result of need for quality management in the hospitality industry. Similarly, the number of graduates for pioneer course increased by 5.1 per cent while that of ordinary professional courses rose by 23.5 per cent in 2011.

Table 13.12: Kenya Utalii College Graduates, 2007-2011

Number

Year	Pioneer Course[2]	In- Service		Professional Courses			Grand Total
		Refresher	MDP[1]	Ordinary	Service Advance	Sub-Total	
2007	1,296	1,808	236	384	35	419	3,759
2008	720	1,119	166	371	40	411	2,416
2009	722	1,818	191	469	28	497	3,228
2010	1,052	1,178	192	533	30	563	2,985
2011*	1,106	1,494	264	658	30	688	3,552

Source: Kenya Utalii College

* Provisional

[1]MDP - Management Development Programmes

[2]Pioneer is 3 month course

Chapter 14

Transport, Storage and Communications

Overview

In 2011, the transport, storage and communications sector was characterized by improved performance arising from the communications sub-sector, tourism and maritime activities. During the same period, the mobile telephony witnessed increased use of mobile money transfer service with the banking sector continuing to embrace the technology. In addition, the Mobile Number Portability (MNP) was introduced from 1st April, 2011. However, the sector was adversely affected by the depreciation of the Kenya Shilling against major world currencies and the effects of the tsunami in Japan. In order to meet the 2015 deadline for migration from analogue to digital Television (TV) broadcasting, an additional national digital TV broadcasting signal distributor was licensed. Overall, the value of output from the transport, storage and communications sector increased by 14.5 per cent from KSh 605.5 in 2010 to KSh 693.1 billion in 2011.

14.2. The total number of newly registered vehicles grew by 4.8 per cent to 205,841 in 2011. However, intended Government directive of phasing out the 14-seater Public Service Vehicles (PSV) led to a significant drop in the number of new registrations for 'mini buses/matatus'. The continued restructuring in the railway transport sub-sector aimed at improving efficiency and service delivery resulted in freight tonnage increasing by 1.5 per cent from 1,572 thousand tonnes in 2010 to 1,596 thousand tonnes in 2011. During the year under review, the total passenger and cargo traffic handled at the main airports grew by 16.0 per cent and 23.0 per cent, respectively. The total throughput handled at the port of Mombasa increased by 5.1 per cent to 19,953 thousand tonnes. The throughput moved by the Kenya Pipeline Company (KPC) increased by 1.3 per cent to 4,257.4 thousand cubic metres in 2011.

14.3. The mobile subscriber base increased by 5.2 million subscribers from 20.1 million as at 30th June 2010 to 25.3 million as at 30th June 2011. Similarly, mobile money transfer subscriptions increased from 10.6 million to 17.4 million subscriptions over the same period. Total internet subscriptions doubled from 3.1 million in 2010 to 6.2 million in 2011.

Value of Output

14.4. The value of output for various transport, storage and communications sub-sectors is presented in Table 14.1. During the review period, the total value of output in the Transport, Storage and Communications sector registered a growth of 14.5 per cent from KSh 605.5 billion recorded in 2010 to KSh 693.1 billion in 2011. The sector, value of output continued to be dominated by road transport which accounted for 56.0 per cent of the total. The output values of Road Transport, Air Transport and Services Incidental to Transport rose by 18.9, 17.7 and 23.3 per cent, respectively, in the review period. The output values of Communications and Pipeline Transport sub-sectors grew by 1.5 and 1.9 per cent, respectively. However, the value of output from the Railway Transport sub-sector dropped significantly by 46.5 per cent over the same period. Services incidental to transport improved by 23.3 per cent, in tandem with increased activity within the sector.

Table 14.1: Transport and Communications - Value of Output, 2007 - 2011

KSh Million

	2007+	2008+	2009+	2010+	2011*
Road Transport	233,224	273,044	285,262	326,318	388,013
Railway Transport	4,550	4,449	4,747	5,591	2,992
Water Transport	23,233	21,868	21,039	21,483	22,117
Air Transport	80,254	83,010	81,609	84,257	99,176
Services Incidental to Transport	33,971	38,822	40,019	47,977	59,161
Pipeline Transport	8,736	9,222	11,837	13,906	14,174
Communications	88,691	93,426	100,705	105,951	107,502
Total	**472,659**	**523,841**	**545,218**	**605,483**	**693,135**

* Provisional.

+ Revised

Roads Road Transport

14.5. Details of funds disbursed from the Roads Maintenance Levy Fund (RMLF) for maintenance and rehabilitation of roads in the country are presented in Table 14.2. The Kenya Roads Board (KRB) approved a total of KSh 24.1 billion for road agencies for the maintenance and rehabilitation of the roads in 2011/12 financial year compared to KSh 23.4 billion allocated in 2010/11. Fuel levy collections are expected to increase by 2.9 per cent in 2011/12 financial year compared to a 4.1 per cent growth achieved in 2010/11. Transit toll collections is also expected to increase from KSh 304 million in 2010/11 financial year to KSh 343 million in 2011/12.

Table 14.2: Roads Maintenance Funds, 2007/08 - 2011/12

KSh Million

Type	2007/08	2008/09	2009/10	2010/11	2011/12*
Fuel Levy	17,999	19,000	22,180	23,086	23,757
Transit Toll	270	357	425	304	343
Total	**18,269**	**19,357**	**22,605**	**23,390**	**24,100**

Source: Kenya Roads Board

* Provisional

14.6. Table 14.3 shows earnings from Road Transport sub-sector for the period 2007 to 2011. Total earnings from the sub-sector have maintained an upward trend for the last five years. The total earnings increased by KSh 61.7 billion from KSh 326.3 billion in 2010 to KSh 388.0 billion in 2011. The share of freight traffic earnings increased from 48.7 per cent in 2010 to 51.1 per cent in 2011. Earnings from passenger traffic grew significantly by 13.5 per cent during the review period compared to a 7.3 per cent increase in 2010.

Table 14.3: Earnings from Road Traffic, 2007 - 2011

KSh Million

Type	2007	2008+	2009+	2010+	2011*
Passenger Traffic	126,814	146,072	155,909	167,320	189,931
Freight Traffic	106,410	126,972	129,353	158,997	198,082
Total Road Traffic Earnings	**233,224**	**273,044**	**285,262**	**326,317**	**388,013**

* Provisional.

+ Revised

New Registration of Motor Vehicles

14.7. Table 14.4 presents trends in the number of newly registered motor vehicles for the period 2007 to 2011. A total of 205,841 units were registered in 2011 compared to 196,456 units registered in 2010, an increase of 4.8 per cent. During the review period, the number of newly registered saloon cars and station wagons declined by 31.8 per cent and 16.9 per cent, respectively. This could be attributed to high vehicle prices triggered by the weakening of the Kenya Shilling. The effects of tsunami that was experienced in Japan in 2011 also constrained production and supply of vehicles.

14.8. There was a significant drop of 87.5 per cent in the registration of *mini buses/matatu* from 3,600 units in 2010 to 451 units in 2011. This might have been occasioned by the intended Government policy aimed at phasing out the 14-seater Public Service Vehicles to decongest major cities. The policy resulted in registration of buses/coaches maintaining an upward trend, from 1,264 units in 2010 to 1,662 units in 2011. The registration of three wheelers, commonly known as *tuk-tuk,* recorded a 40.7 per cent increase from 1,521 units in 2010 to 2,140 units in 2011. As shown in Figure 14.1, motor and auto cycles registration increased by 19.6 per cent to 140.2 thousand during the review period accounting for 68.1 per cent of the total new motor vehicle registration. This was largely due to their increased use as alternative means of transport especially in the rural areas.

Table 14.4: New Registration of Road Motor Vehicles, 2007 - 2011

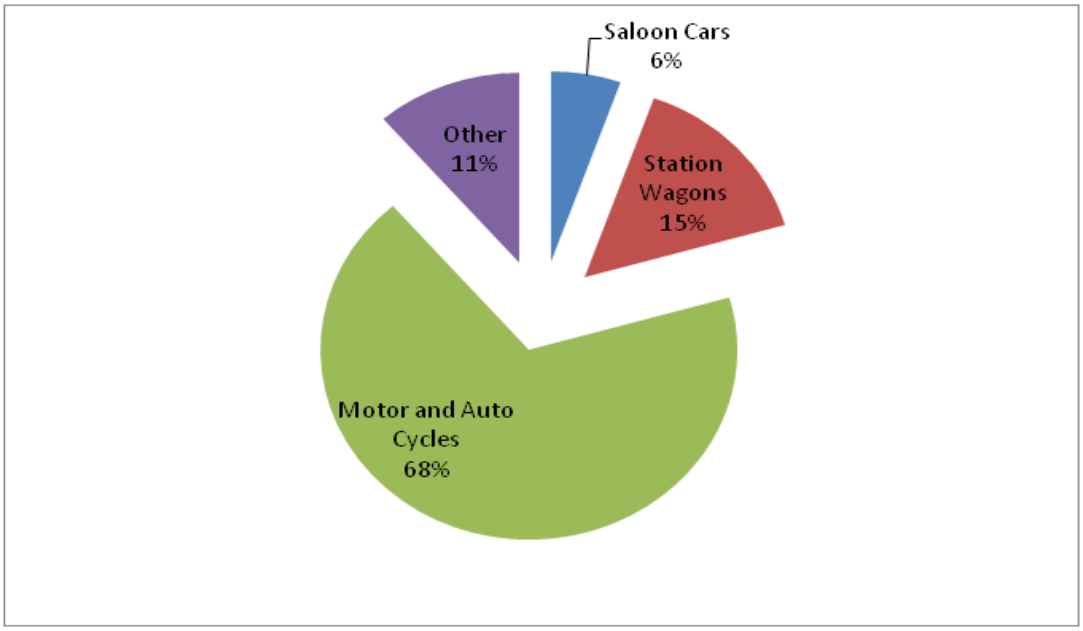
Number

Type of Vehicle	2007	2008	2009	2010	2011*
Saloon Cars	17,893	18,686	16,930	16,165	11,026
Station Wagons	24,115	24,747	27,599	37,553	31,199
Panel Vans, Pick-ups, etc	9,470	8,983	7,120	6,975	7,442
Lorries/Trucks	6,329	6,691	6,037	4,924	5,247
Buses and Coaches	2,006	1,243	1,057	1,264	1,662
Mini Buses/Matatu	4,252	5,206	4,483	3,600	451
Trailers	2,193	2,100	2,883	2,379	2,556
Wheeled Tractors	1,213	1,262	1,115	1,161	1,179
Motor and Auto Cycles	16,293	51,412	91,151	117,266	140,215
Three Wheelers	1,072	704	863	1,521	2,140
Other vehicles	488	797	2,575	3,648	2,724
Total Units Registered	**85,324**	**121,831**	**161,813**	**196,456**	**205,841**

Source: Kenya Revenue Authority

* Provisional.

Figure 14.1: Percentage Share of New Vehicle Registration, 2011



Road Licenses

14.9. Table 14.5 shows the number of licenses issued by Transport Licensing Board (TLB) and the various categories of driving licenses. The number of licenses issued by the TLB dropped from 28,840 in 2010 to 23,680 in 2011, a decline of 17.9 per cent. The licenses issued to matatus, which comprise mainly of the 14-seater passenger service vehicles dropped by 6.2 per cent during the review period, consistent with their decreased registration.

14.10. Overall, 237,921 driving licenses were issued in 2011 compared to 168,191 licenses issued in 2010, an increase of 41.5 per cent. The number of original licenses issued rose by 63,980 to account for 82.2 per cent of the total driving licenses issued. This could be explained by a back log of new applicants from 2010 which were processed at the same time. Likewise, issuance of duplicate and foreign driving licenses recorded increases of 13.4 and 52.7 per cent, respectively, in 2011.

Table 14.5: Road Transport Licenses Issued, 2007 - 2011

Number

	2007	2008	2009	2010	2011*
TLB Licenses					
PSV Matatus.	41,219	55,042	11,668	16,199	15,198
PSV Buses	8,545	10,219	1,826	6,676	5,692
Freight Transport Vehicles[1]	30,128	33,407	..	..	..
PSV Mini Buses	..	..	2,341	5,965	2,790
Total	**79,892**	**98,668**	**15,835**	**28,840**	**23,680**
Driving Licenses					
Original	148,485	166,715	164,299	131,556	195,536
Duplicate..	34,960	34,500	31,529	34,514	39,146
Foreign.....	1,738	1,625	2,725	2,121	3,239
Total.	**185,183**	**202,840**	**198,553**	**168,191**	**237,921**

Source: Kenya Revenue Authority

* Provisional

[1] Issuance of TLB licenses to Freight Transport Vehicles stopped from 2009

.. Data not available

14.11. **Road Traffic Accidents:** The number of reported road traffic accidents for the last five years are shown in Table 14.6. Total accidents reported dropped by 16.1 per cent from 9,771 in 2010 to 8,193 in 2011. Consequently, total casualties dropped by 13.7 per cent from 22,121 in 2010 to 19,093 in 2011. In spite of the decline in total casualties, the number of persons killed went up by 8.1 per cent from 3,055 recorded in 2010 to 3,302 in 2011. However, those who sustained serious and slight injuries declined by 7.3 per cent and 26.6 per cent, respectively, over the same period. The improved road network by the Government and continued road safety awareness campaigns by the relevant authorities are some of the factors that may have contributed to the drop in road accidents during the review period.

Table 14.6: Road Traffic Accidents, 2007 - 2011

Number

	2007	2008	2009	2010	2011*
Total Number of reported Traffic Accidents	10,225	9,093	12,369	9,771	8,193
Persons Killed or Injured					
Killed	2,530	2,463	4,072	3,055	3,302
Seriously Injured	10,658	9,481	10,644	9,327	8,647
Slightly Injured	10,327	9,476	11,906	9,739	7,144
Total	**23,515**	**21,420**	**26,622**	**22,121**	**19,093**

Source: Kenya Police Department

* Provisional.

Railway Transport

14.12. The railway transport sub-sector's performance is shown in Table 14.7. Freight traffic during the year under review marginally increased to 1,596 thousand tonnes in 2011. As a result, revenue earned from freight traffic registered a 14.5 per cent increase from KSh 4,353 million in 2010 to KSh 4,983 million in 2011. Although passenger journeys dropped by 1.3 per cent, earnings increased by 20.2 per cent from KSh 252 million in 2010 to KSh 303 million in 2011. The growth in the sub-sector could be associated with restructuring of the operations of the Rift Valley Railways (RVR) undertaken by the Governments of Kenya and Uganda in which additional capital was injected into the Concession to improve service delivery.

Table 14.7: Railway Traffic, 2007 - 2011

	Unit	2007	2008	2009	2010	2011*
Freight:						
Tonnes	000	2,304	1,628	1,532	1,572	1,596
Tonne-km	Million	5,606	1,109	1,060	1,105	1,135
Revenue	KSh Million	4,448	4,266	4,317	4,353	4,983
Revenue per tonne-Km.	Cts	79	385	407	394	439
Passenger:						
Journeys	000	4,500	3,226	8,861	3,411	3,366
Passenger-Km	Million	148	105	389	270	365
Revenue	KSh Million	103	76	251	252	303
Revenue per passenger-Km.	Cts	70	72	65	93	83

Source: Kenya Railways Corporation/Rift Valley Railways

* Provisional

Water Transport

14.13. Details of port traffic handled at the Port of Mombasa are shown in Table 14.8. Total throughput grew by 5.1 per cent from 18,977 thousand tonnes in 2010 to 19,953 thousand tonnes handled in 2011. Containerized traffic increased by 10.8 per cent from 695,600 Twenty-foot Equivalent Units (TEUs) recorded in 2010 to 770,804 TEUs in 2011. The increased throughput is explained by the number of docking ships which increased by 6.6 per cent in 2011 to 1,684.

14.14. During the review period, total imports handled increased by 4.3 per cent from 16,244 thousand tonnes in 2010 to 16,938 thousand tonnes in 2011 due to increased importation of fertilizers, maize and rice. Total exports handled increased by 8.3 per cent to 2,788 thousand tonnes in the review period. Dry general cargo handled for export rose by 4.1 per cent in 2011 on account of increased volumes of soda ash, accounting for 90.0 per cent of total exports. Dry bulk exports registered a significant growth of 74.3 per cent due to increased volume of fluorspar exported. Bulk liquids exported increased by 66.3 per cent over the same period.

Table 14.8: Traffic handled at Mombasa Port, 2007- 2011

	Unit	2007	2008	2009	2010	2011*
Containers Traffic	TEUs	585,367	615,733	618,816	695,600	770,804
Ships Docking	No.	1,811	1,686	1,748	1,579	1,684
Imports	000' DWT					
Dry General	"	4,866	4,979	5,435	5,987	6,524
Dry Bulk	"	2,722	2,891	4,641	3,871	3,807
Bulk Liquids	"	5,474	5,441	6,432	6,386	6,607
Total Imports	"	**13,062**	**13,311**	**16,508**	**16,244**	**16,938**
Of which Transit In	"	4,042	4,471	4,612	5,004	5,166
Motor Vehicles landed	No.	73,818	87,284	95,798	95,604	105,048
Exports	000' DWT					
Dry General	"	2,102	2,295	2,220	2,410	2,508
Dry Bulk	"	205	200	62	70	122
Bulk Liquids	"	167	190	167	95	158
Total Exports	"	**2,474**	**2,685**	**2,449**	**2,575**	**2,788**
Of which Transit Out	"	381	404	368	377	430
Total Imports and Exports	"	**15,536**	**15,996**	**18,957**	**18,819**	**19,726**
Transhipment	"	426	419	105	158	227
Grand Total	"	**15,962**	**16,415**	**19,062**	**18,977**	**19,953**

Source: Kenya Ports Authority

* Provisional.

DWT - Dead Weight Tonnes

Pipeline Transport

14.15. Table 14.9 shows the pipeline throughput of white petroleum products. Total pipeline throughput of white petroleum products increased marginally to 4,257.4 thousand cubic metres in 2011. Similarly, exports of petroleum products increased by 1.7 per cent from 1,153.2 thousand cubic metres in 2010 to 1,172.8 thousand cubic metres in 2011, mainly due to increased volumes of motor spirit and light diesel oil.

14.16. Despite the pipeline transport being faced by capacity constraints, the volume of domestic consumption increased by 1.1 per cent to 3,084.6 thousand cubic metres in 2011. In an effort to address capacity constraint, the Kenya Pipeline Company (KPC) completed construction of a parallel 14-inch pipeline from Nairobi to Eldoret in October 2011. The parallel pipeline is expected to increase the flow rate on the Western Kenya pipeline extension by an additional 378 cubic metres per hour. In addition, the KPC carried out modification of pipes to enhance suction pressure at Kipevu Oil Storage Facility (KOSF). These interventions have improved flow rate from 440 cubic metres per hour to over 800 cubic metres per hour.

Table 14.9: Pipeline Throughput of White Petroleum Products, 2007 - 2011

000 Cu. Metres

	2007	2008	2009	2010	2011*
Exports					
Motor Spirit (Premium)..	381.8	417.1	419.0	387.4	429.0
Kerosene Illuminating Oil..	116.0	110.0	103.8	99.0	84.7
Light Diesel Oil..	488.9	534.7	485.5	505.8	516.8
Jet Fuel..	144.9	153.2	161.2	161.0	142.3
Sub-Total	**1,131.6**	**1,215.0**	**1,169.5**	**1,153.2**	**1,172.8**
Domestic Consumption[1]					
Motor Spirit (Premium)..	487.3	456.5	601.4	689.9	782.6
Motor Spirit (Regular)..	66.4	66.0	60.9	69.7	43.3
Kerosene Illuminating Oil..	247.1	218.8	248.5	264.8	250.5
Light Diesel Oil..	1,220.2	1,178.6	1,479.4	1,252.9	1,129.8
Jet Fuel..	809.9	713.7	766.5	773.2	878.4
Sub-Total	2,830.9	2,633.6	3,156.7	3,050.5	3,084.6
Grand Total	**3,962.5**	**3,848.6**	**4,326.2**	**4,203.7**	**4,257.4**

Source: Kenya Pipeline Company

* Provisional

[1]Figures do not include volume carried through by Kenya Railways and consumption in the Coastal area

Air Transport

14.17. **Passenger Traffic:** Passenger traffic handled increased by 16.0 per cent from 7,516 thousand passengers recorded in 2010 to 8,722 thousand passengers in 2011 as presented in Table 14.10. This improved performance is associated with progressive recovery in the tourism industry. Overall, 72.1 per cent of the passengers used Jomo Kenyatta International airport as their entry/exit point.

Table 14.10: Commercial Traffic at Main Airports, 2007 – 2011

'000

			2007	2008	2009	2010	2011*
Passengers	JKIA	Arrivals	2,471.6	2,390.2	2,555.7	2,793.3	3,169.1
(No)	**Nairobi**	Departures	1,438.9	1378.4	1,516.2	1,596.6	1,876.1
		In Transit	951.2	982.6	1,006.2	1,095.9	1,246.0
		Sub-Total	4,861.7	4,751.2	5,078.1	5,485.8	6,291.2
	MIA	Arrivals	620.9	401.6	502.1	578.4	666.3
	Mombasa	Departures	633.4	404.3	512.2	584.7	681.7
		In Transit	91.5	80.8	99.6	108.0	123.9
		Sub-Total	1,345.8	886.8	1,113.9	1,271.1	1,471.9
	Other Airports	Arrivals	397.6	349.0	325.7	354.0	427.1
		Departures	399.3	349.6	316.5	342.9	422
		In Transit	34.7	39.4	54.0	62.6	109.5
		Sub-Total	831.6	738.0	696.2	759.5	958.6
	Total Passenger Traffic		**7,039.1**	**6,376.0**	**6,888.2**	**7,516.4**	**8,721.7**
Cargo	JKIA	Landed	59,496.1	59,218.6	46,949.4	31,416.3	59,837.6
(Tonnes)	**Nairobi**	Loaded	216,286.8	240,091.6	214,583.9	196,854.1	226,630.0
		Sub-Total	275,782.9	299,310.2	261,533.3	228,270.4	286,467.6
	MIA	Landed	1,393.9	1,047.0	1,489.2	1,260.3	1,866.0
	Mombasa	Loaded	7,832.1	5,065.3	4,943.2	6,877.9	6,066.4
		Sub-Total	9,226.0	6,112.3	6,432.4	8,138.2	7,932.4
	Other Airports	Landed	12,247.3	9,079.8	7,472.7	3,640.2	6,164.3
		Loaded	9,005.5	5,837.9	5,649.0	7,125.7	3,565.3
		Sub-Total	21,252.8	14,917.7	13,121.7	10,765.9	9,729.6
	Total Cargo Traffic		**306,261.7**	**320,340.2**	**281,087.4**	**247,174.5**	**304,129.6**
Mail	JKIA	Landed	629.0	907.8	966.0	1,392.8	1,663.0
(Tonnes)	**Nairobi**	Loaded	469.4	519.0	570.0	187.1	160
		Sub-Total	1,098.4	1,426.8	1,536.8	1,579.9	1,823.0
	MIA	Landed	28.9	23.2	18.2	10.0	15.9
	Mombasa	Loaded	41.3	25.2	25.7	19.9	18.1
		Sub-Total	70.2	48.4	43.9	29.9	34
	Total Mail Traffic		**1,168.6**	**1,475.2**	**1,580.7**	**1,609.8**	**1,857.0**

Source: Kenya Airports Authority

* Provisional

14.18. **Cargo and Mail Traffic:** During the review period, total cargo handled increased by 23.0 per cent from 247.2 million tonnes in 2010 to 304.1 million tonnes in 2011. Landed and loaded cargo at Jomo Kenyatta International Airport (JKIA) increased by 90.5 per cent and 15.1 per cent, respectively. Landed mail traffic increased at both JKIA and Moi International Airport (MIA). Loaded traffic on the other hand dropped at both airports.

Comm-unications

14.19. Postal Services: Details on the performance of the postal services sub-sector are shown in Table 14.11. The courier market segment registered a positive growth as demonstrated by the expansion of outlets and the number of licensed courier operators. The number of private courier operator outlets increased from 601 in 2010 to 635 in 2011 while the number of post offices decreased to 697 over the same period. During the same period licensed courier operators increased by 10.7 per cent from 159 in 2010 to 176 in 2011.

14.20. The private letter boxes remain the most widely used avenue by the public for delivery of postal articles. Despite the decline in post office outlets, the number of installed letter boxes increased by 3.1 per cent from 415 thousand in 2010 to 428 thousand in 2011. The use

of Expedited Mail Service (EMS) improved in 2011 as the total EMS items handled rose by 10.3 per cent from 1,524 thousand in 2010 to 1,681 in 2011.

14.21. The domestic unregistered correspondence handled decreased by 18.5 per cent from 108 million in 2010 to 88 million in 2011. This decline could be due to stiff competition from other service providers who offer alternative and efficient delivery of parcels and articles.

14.22. The volume of money orders issued has been decreasing over the years. During the year under review, the number of money orders issued declined by 38.4 per cent. The downward trend may be explained by increased use of money transfer services through mobile phones. Ordinary money orders issued dropped by 24.7 per cent from 377 thousand in 2010 to 284 thousand in 2011. Express and Electronic Funds Transfer (EFT)/Posta Pay declined by 57.1 per cent each, over the same period.

Table 14.11: Postal Services, 2007 - 2011

Item	Unit	2007	2008	2009	2010	2011*
Post Offices..	No.	719	707	701	698	697
Private Courier Operator Outlets..	No.	554	606	622	601	635
Licensed Courier Operators..	No.	134	148	180	159	176
Total Private Letter Boxes:						
Installed	'000	412	414	412	415	428
Rented..	'000	338	339	350	351	366
Private Bags Rented..	No.	843	892	846	846	846
Total EMS Items Handled:	**'000**	**826**	**1345**	**1,589**	**1,524**	**1,681**
Accepted	'000	446	803	859	772	776
Delivered	'000	380	542	730	752	905
Total Registered and Insured Items Posted:	**'000**	**1,679**	**1,736**	**1,368**	**1,317**	**1,424**
Domestic	'000	1,583	1,646	1,259	1,227	1,333
International	'000	96	90	109	90	91
Unregistered correspondence handled :	**Millions**	**92**	**96**	**89**	**115**	**96**
Domestic	Millions	79	85	80	108	88
International	Millions	13	11	9	7	8
Parcels handled :	**'000**	**150**	**136**	**69**	**52**	**52**
Domestic	'000	72	61	25	25	26
International	'000	78	75	44	27	26
Money Orders Issued:	**'000**	**2,261**	**1,733**	**838**	**625**	**385**
Ordinary	'000	563	439	318	377	284
Express	'000	582	172	54	28	12
EFT/PostaPay	'000	1,003	1,121	466	203	87
Interstate (E.A.)	'000	2	1	0.4	17	2
Postal Orders Issued:	**No.**	250	130	20	40	3

*Provisional.

Telecommunications

14.23. **Fixed Line and Wireless Telephone:** Table 14.12 shows the performance of the telecommunications sub-sector for the last five years. The telecommunications industry continued to post considerable growth mainly on account of a vibrant mobile telephone industry. During the year under review, the fixed network market segment maintained a declining trend. The total fixed line (including wireless) subscriptions dropped by 39.6 per cent from 460 thousand recorded as at 30th June, 2010 to 278 thousand as at 30th June, 2011. The reduction in fixed line services could be attributed to increased use of mobile services.

14.24. The fixed international voice traffic for both outgoing and incoming calls dropped by

22.4 and 1.9 per cent, respectively, as at 30th June 2011. The decline could be attributable to increased use of mobile phones in international calls following the lowering of international voice calling charges and other competing alternatives such as instant messaging over the internet.

Table 14.12: Telecommunications Traffic, 2007 - 2011

	Unit	2007	2008	2009	2010	2011*
Fixed Lines, CDMA, and other Wireless						
Capacity ……	'000	837	612	731	422	400
Wireline Connections ……	000	339	253	248	234	91
Wireless Connections ……	000	84	274	448	226	187
Total Wireline and Wireless Connections ……	'000	423	527	696	460	278
International outgoing traffic(Minutes) ……	000	27,364	15,582	14,472	14,761	11,456
International incoming traffic (Minutes) ……	000	85,672	83,148	88,538	35,550	31,867
Mobile Telephony						
Mobile Telephone Capacity	'000	18,200	25,965	29,000	46,629	47,350
Connections	'000	9,305	12,934	17,362	20,119	25,280
Mobile Money Transfer Service Subscribers[1]	000	..	..	..	10,615	17,396

Source: Communications Commission of Kenya

* Provisional

[1] As at 30th June figures

CDMA - Code Division Multiple Access

.. Data not available

14.25. **Mobile Telephony:** As shown in Table 14.12, the mobile subscriber base expanded by 25.7 per cent from 20,119 thousand as at 30th June 2010 to 25,280 thousand subscribers as at 30th June 2011. This growth resulted in an increase in mobile penetration rate from 52.2 per cent as at 30th June 2010 to 64.0 per cent as at end of June, 2011. This was above the African penetration rates estimated by International Telecommunications Union (ITU) at 41.0 per cent, during the same period. During the review period, the mobile operators lowered both on-net and off-net tariffs in a bid to attract and retain customers in their respective networks.

14.26. During the year under review, the Government through the Communications Commission of Kenya (CCK) introduced Mobile Number Portability (MNP) which kicked off on 1st April, 2011. Using the porting service, consumers have the freedom of moving from one network to another while retaining their individual subscriber numbers. This, further promoted competition and wider consumer choice in the mobile market segment.

14.27. **Mobile Money Transfer Service:** The Mobile Money Transfer has had a significant impact in the country by reaching a wide spectrum of the population which previously had no banking facilities, thus, deepening financial inclusion. As shown in Table 14.12, total number of mobile money transfer subscriptions increased significantly by 64.2 per cent from 10.6 million in June 2010 to 17.4 million by June 2011.

14.28. **Internet Services:** Internet use continued on an upward trend as more people relied on the service to conduct business and social activities. According to Table 14.13, the number of Internet Service Providers (ISPs) went up by 57.9 per cent from 57 in 2010 to 90 in 2011. The number of internet subscriptions doubled from 3.1 million in 2010 to 6.2 million in 2011.

Table 14.13: Internet Subscriptions, 2007 - 2011

Number

Subscriptions	2007	2008	2009	2010	2011*
Licensed Internet Services Providers (ISPs)	50	56	52	57	90
Terrestrial mobile data/Internet subscriptions	..	..	1,562,065	3,059,906	6,076,444
Terrestrial wireless data/Internet subscriptions	..	..	8,602	22,134	26,615
Satellite data/Internet subscriptions	..	..	26	953	960
Fixed DSL data/Internet subscriptions	..	..	7,822	9,631	11,422
Fixed fibre optic data /Internet subscriptions	..	..	851	4,303	37,514
Fixed cable modem (Dial Up) data/Internet subscriptions	..	..	21	25	25
Total Internet Subscriptions			**1,579,387**	**3,096,952**	**6,152,980**

Source: Communications Commission of Kenya

Information and Mass Media

14.29. **Broadcasting:** The liberalized broadcasting sub-sector remained competitive with increased demand for both Television (TV) and radio broadcasting frequencies during the review period. Eight more TV broadcasting frequencies were assigned by the CCK, while Frequency Modulation (FM) radio frequencies utilized increased from 314 in 2010 to 346 in 2011 as illustrated in Table 14.14.

14.30. The Government continued to facilitate transition from analogue to digital TV broadcasting which is expected to increase efficiency in the use of radio spectrum and improve the quality of content produced. Towards this end, CCK licensed additional national digital TV broadcasting signal distributor in addition to Kenya Broadcasting Corporation (KBC) to enhance competition, increase coverage and fast track digital infrastructure roll-out. The added distributor was to help ease the process of migration from analogue to digital TV broadcasting and comply with international analogue switch off deadline of 2015.

Table 14.14: Radio and TV Frequencies Utilized, 2007 - 2011

Number

Frequencies	2007	2008	2009	2010	2011*
TV Frequencies.	127	81	81	83	91
FM Frequencies.	368	268	303	314	346

Source: Communications Commission of Kenya

* Provisional

14.31. **Print Media:** Table 14.15 presents copies of daily and weekly newspapers in circulation for the last five years. The number of daily and weekly newspapers in circulation has continued to grow over the years. The number of English daily copies in circulation increased by 2.6 per cent from 105.3 million daily newspapers in 2010 to 108.0 million copies in 2011. The number of Swahili copies in circulation increased by 5.3 per cent from 8.6 million daily newspapers in 2010 to 9.0 million copies in 2011. Similarly, English and Swahili weeklies recorded growths of 27.4 and 12.5 per cent, respectively, over the same period.

Table 14.15: Local Daily/Weekly Newspapers in Circulation, 2007 - 2011

'000 Copies

	2007	2008	2009	2010	2011*
Morning Newspapers-					
English	98,479	99,369	101,853	105,300	108,000
Swahili	7,510	7,852	8,190	8,550	9,000
Other Newspapers-					
English Weeklies	9,340	12,601	16,282	21,200	27,000
Swahili Weeklies	902	1,060	1,223	1,422	1,600

* Provisional

Chapter 15

Governance

Overview

Agenda 4 of the National Dialogue and Reconciliation Accord has been a guiding principle in the implementation of long-term reforms since the 2007/08 Post Election Violence (PEV). Enactment of a new constitution in the year 2010 provided further impetus to the reform process in the country. In 2011, the Government established a Supreme Court, an independent Office of Public Prosecution, the National Council on Administration of Justice (NCAJ), an Independent Electoral and Boundaries Commission (IEBC), an Ethics and Anti-Corruption Commission (EACC), a National Police Service Commission (NPSC) and a New Attorney General was appointed.

15.2. The total number of crimes reported increased by 7.0 per cent from 70,779 in 2010 to stand at 75,733 in 2011. In the same period, the number of persons reported to have committed offences grew by 22.1 per cent from 67,362 to 82,242 with the number of offenders involved in dangerous drugs increasing by 33.2 per cent from 3,903 in 2010 to 5,199 in 2011. The number of persons who committed economic crimes declined from 4,446 in 2010 to 3,207 in 2011. The total number of cases filed in all courts reduced by 12.0 per cent from 394,557 in 2010 to 347,322 in 2011. The total number of cases disposed of reduced by 37.9 per cent from 575,706 to 357,693 in the same period. The total number of pending cases declined by 1.6 per cent to reach 650,010 in 2011. The prisoners' population declined from 253,524 in 2010 to 247,166 in 2011. The number of entry permits issued in 2011 stood at 23,498. The number of passports issued and aliens registered increased from 167,528 to 168,324 and from 17,944 to 19,034, respectively. At the same time, the number of identity cards processed increased by 28.8 per cent from 632,219 in 2010 to 814,406 in 2011.

Public Safety, Law and Order

15.3. Kenya's prospects of development hinge to a great extent on the country's ability to guarantee law, order and security within her borders. In particular, security of people and their property is considered a fundamental human right which provides an enabling environment for people to live and work peacefully. It also stimulates social, economic and political development. In the period under review, the Government established an Independent Policing Oversight Authority and the National Police Service Commission to drive the process of transforming Kenya's Police Force into a National Police Service.

15.4. Table 15.1 shows the number of crimes reported to the Police Department in the last five years. The total number increased by 7.0 per cent to 75,733 with crimes on other offences against persons accounting for 26.6 per cent. In absolute terms, the largest increase in the number of crimes was stealing which rose by 1,811. On the other hand, crimes related to dangerous drugs registered the largest decline of 432 to stand at 4,649 in 2011. The number of homicide crimes increased by 18.0 per cent from 2,239 in 2010 to 2,641 in 2011. No offence was reported involving tourists in the period under review.

Table 15.1: Number of Crimes Reported to Police Stations, 2007-2011

Number

Crimes[1]	2007	2008	2009	2010	2011*
Homicide	1,912	2,037	2,214	2,239	2,641
Offences against morality	3,673	3,116	4,068	4,817	4,703
Other offences against persons	17,831	16496	20,539	20,012	20,144
Robbery	3,492	3,401	2,938	2,843	3,262
Breakings	6,337	6,626	7,053	6,453	7,325
Theft of stock	1,568	2,269	2,876	2,244	2,269
Stealing	10,749	11,435	11,972	11,986	13,797
Theft by servant	2,169	2,387	2,732	2,591	2,889
Vehicles and other thefts	1,221	1,387	1,439	1,365	1,768
Dangerous drugs	5,401	4,407	5,541	5,081	4,649
Traffic offences	46	120	59	103	100
Criminal damage	2,770	3,760	3,417	3,327	3,345
Economic crimes	1,908	1,898	2,324	2,662	3,036
Corruption	177	133	158	62	52
Offences involving police officers	32	33	56	37	27
Offences involving tourists	10	6	5	1	0
Other penal code offences	3,732	3,994	4,864	4,956	5,726
Total	**63,028**	**63,476**	**72,255**	**70,779**	**75,733**

Source: Kenya Police Department

* Provisional

[1] Refer to the classification of the crimes in appendix 15.1

15.5. As shown in Table 15.2, Rift Valley Province accounted for the majority of crimes reported in the country over the five year period with the exception of year 2008. In absolute numbers, Nairobi Province registered the highest increase in the number of reported crimes from 6,102 in 2010 to 8,528 in 2011, followed by Nyanza Province whose number rose from 7,859 to 8,723 over the same period. Rift Valley Province accounted for 25.4 per cent of all the crimes reported. All the provinces recorded higher numbers of reported crimes except Coast Province which recorded a decline of 2.3 per cent.

Table: 15.2: Number of Crimes Reported to Police by Province, 2007– 2011

Number

Province	2007	2008	2009	2010	2011*
Nairobi	6,395	4,667	4,712	6,102	8,528
Rift Valley	12,590	9,945	19,716	19,056	19,262
Central	10,187	12,130	9,929	9,215	10,016
Eastern	9,615	9,704	10,003	9,203	9,356
Nyanza	7,756	8,739	8,721	7,859	8,723
Coast	8,182	9,639	9,291	9,458	9,240
Western	7,088	7,402	8,610	8,305	8,658
North Eastern	786	849	1,020	1,216	1,439
Railways[1]	148	279	149	140	160
KAPU[1]	281	122	104	225	351
Total	**63,028**	**63,476**	**72,255**	**70,779**	**75,733**

Source: Kenya Police Department

* Provisional

[1] Kenya Police Service considers KAPU and Railways as provinces

KAPU means Kenya Airports Police Unit

15.6. In the period under review, the Government continued its efforts of disarmament through recoveries and surrenders of both firearms and ammunitions. Access to illigal weapons can fuel conflict among communities and may also lead to increased crime. As indicated in Table 15.3, the number of firearms recovered increased by 20.6 per cent from 252 in 2010 to 304 in 2011 while that of firearms surrendered reduced from 1,064 to 26 in the same period. The total number of ammunitions recovered and surrendered registered a decline of 60.5 per cent from 41,500 in 2010 to 16,388 in 2011. The high number of firearm surrenders in 2010 followed a government amnesty aimed at mopping up illegal firearms.

Table 15.3: Firearms and Ammunition Recovered or Surrendered, 2007-2011

Number

Firearms/Ammunition	2007	2008	2009	2010	2011*
Firearms					
Recovered					
Rifles	186	238	121	162	164
Pistols	261	252	128	80	102
Toy Pistols	-	226	174	10	38
Total	**447**	**716**	**423**	**252**	**304**
Surrendered					
Rifles	206	334	163	1,064	26
Pistols	-	-	-	-	-
Toy Pistols	-	-	-	-	-
Total	**206**	**334**	**163**	**1,064**	**26**
Ammunition					
Recovered[1]	7,084	8,081	110,047	38,127	16,288
Surrendered	204	1,540	4,480	3,373	100
Total	**7,288**	**9,621**	**114,527**	**41,500**	**16,388**

Source: Kenya Police Department

* Provisional

[1] The figure for 2009 includes over 100,000 ammunitions recovered in Narok during a Police operat

15.7. The number of persons reported to police to have committed various offences for the period 2007 to 2011 is shown in Table 15.4. Overall, the number of reported offenders went up from 67,362 in 2010 to 82,052 in 2011. While the number of female offenders declined by slightly more than a half, that of male offenders increased by 45.1 per cent. Central Province registered a large decline in the number of reported offenders, reducing from 14,450 to 6,641 persons over the review period. In 2011, Nairobi Province recorded the highest number of female offenders relative to the other provinces despite having registered a large reduction from 5,189 in 2010 to 1,515 female offenders.

Table 15.4: Number of Persons Reported to Police to have Committed Offences by Sex, 2007-2011

Year	Sex	Nairobi	Central	Coast	Eastern	N/Eastern	Nyanza	R/Valley	Western	KAPU	Railways	Total
	Male	8,155	7,963	8,107	8,244	760	7,345	13,426	5,993	175	253	60,421
2007	Female	1,713	1,049	1,345	1,278	148	504	1,850	1,150	17	9	9,063
	Total	9,868	9,012	9,452	9,522	908	7,849	15,276	7,143	192	262	69,484
	Male	3,016	8,930	8,579	9,387	787	8,303	7,068	6,084	142	310	52,606
2008	Female	1,119	1,436	937	1,706	109	1,195	1,032	1,273	9	16	8,832
	Total	4,135	10,366	9,516	11,093	896	9,498	8,100	7,357	151	326	61,438
	Male	8,673	7,886	8,123	10,605	886	8,443	11,741	8,078	132	215	64,782
2009	Female	1,667	1,894	1,577	1,817	88	1,114	1,484	1,032	8	18	10,719
	Total	10,360	9,780	9,700	12,422	974	9,557	13,225	9,110	140	233	75,501
	Male	4,788	10,077	5,916	6,340	923	5,550	11,388	5,810	137	201	51,130
2010	Female	5,189	4,373	1,116	1,014	218	1,095	2,091	1,109	18	9	16,232
	Total	9,977	14,450	7,032	7,354	1,141	6,645	13,479	6,919	155	210	67,362
2011*	Male	8,162	5,847	9,042	8,760	976	11,561	21,462	7,379	759	267	74,215
	Female	1,515	794	967	864	178	1,181	1,173	1,069	60	36	7,837
	Total	9,677	6,641	10,009	9,624	1,154	12,742	22,635	8,448	819	303	82,052

Source: Kenya Police Department

* Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person

15.8. Table 15.5 presents the number of persons who were reported to have committed offences against morality and other offences against persons by sex, from 2007 to 2011. Overall, the number of persons who committed offences against morality and other offences against persons increased by 15.5 per cent from 24,466 in 2010 to 28,270 in 2011. The total number of females who committed both offences declined by 49.0 per cent while that of males increased by 38.3 per cent in the review period. The number of persons who committed offences against morality increased by 18.8 per cent from 4,236 in 2010 to 5,033 in 2011 while that of persons who committed other offences against persons increased by 14.9 per cent. There was an increase in the number of persons who committed rape (50.4 per cent); sodomy (41.3 per cent); assault (37.0 per cent); indecent assault (22.3 per cent) and defilement cases (19.4 per cent). Declines were registered among persons who committed offences related to bestiality (79.6 per cent), scuffle (41.7 per cent), incest (32.0 per cent), abductions (18.3) and creating disturbances (11.2 per cent).

Table 15.5: Number of Persons Reported to have committed Offences against Morality and Other Offences against Persons by Sex, 2007-2011

Number

Offences	2007			2008			2009			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Against morality															
Rape	1,149	2	1,151	812	222	1,034	939	4	943	561	138	699	1,024	27	1,051
Defilement	1,779	3	1,782	1,396	232	1,628	2,234	51	2,285	2,202	606	2,808	3,272	80	3,352
Incest	158	10	168	85	15	100	181	4	185	326	37	363	241	6	247
Unnatural/sodomy	147	0	147	113	8	121	126	0	126	88	4	92	127	3	130
Bestiality	10	1	11	21	1	22	9	0	9	17	32	49	10	0	10
Indecent assault	138	0	138	133	19	152	120	3	123	101	11	112	135	2	137
Abduction	104	8	112	49	12	61	87	6	93	71	33	104	72	13	85
Bigamy	7	1	8	4	4	8	12	1	13	6	3	9	21	0	21
Sub- total	**3,492**	**25**	**3,517**	**2,613**	**513**	**3,126**	**3,708**	**69**	**3,777**	**3,372**	**864**	**4,236**	**4,902**	**131**	**5,033**
Other offences against persons															
Assault	10,454	2,862	13,316	9,414	2,518	11,931	11,700	3,093	14,793	8,710	3,074	11,784	13,929	2,210	16,139
Creating disturbance	4,781	1,064	5,845	3,921	827	4,748	5,024	1,102	6,126	5,014	2,107	7,121	5,593	732	6,325
Affray(scuffle)	387	258	645	298	138	436	306	228	534	1000	325	1,325	596	177	773
Sub- total	**15,622**	**4,184**	**19,806**	**13,633**	**3,483**	**17,115**	**17,030**	**4,423**	**21,453**	**14,724**	**5,506**	**20,230**	**20,118**	**3,119**	**23,237**
Total	**19,114**	**4,209**	**23,323**	**16,246**	**3,996**	**20,241**	**20,738**	**4,492**	**25,230**	**18,096**	**6,370**	**24,466**	**25,020**	**3,250**	**28,270**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person.

15.9. Table 15.6 provides data on persons reported to police to have committed homicide by sex for the period 2007 to 2011. The total number of persons reported to have committed homicide increased by 52.4 per cent from 1,637 in 2010 to 2,494 in 2011. Persons reported to have committed murder constituted 63.9 per cent of the total reported homicide offenders. Number of offenders reported to have caused death by dangerous driving more than doubled to 543 compared to 219. Offences related to concealing birth, suicide and murder increased during the review period while the number of persons reported to have committed manslaughter, infanticide and procuring abortion decreased.

Table 15.6: Persons Reported to Police to have Committed Homicide Offences by Sex, 2007-2011

Number

Offences	2007			2008			2009			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Murder	1,135	156	1,291	1,346	170	1,516	1,304	142	1,446	819	184	1,003	1,460	133	1,593
Manslaughter	16	0	16	51	10	61	54	14	68	249	19	268	69	5	74
Infanticide	5	21	26	2	17	19	0	31	31	8	19	27	3	16	19
Procuring abortion	3	36	39	9	36	45	2	32	34	5	25	30	3	24	27
Concealing birth	3	38	41	24	68	92	7	69	76	14	1	15	6	69	75
Suicide	294	75	369	234	33	267	212	41	253	11	64	75	124	39	163
Causing death by dangerous driving	225	12	237	271	16	287	372	30	402	215	4	219	506	37	543
Total	**1,681**	**338**	**2,019**	**1,937**	**350**	**2,287**	**1,951**	**359**	**2,310**	**1,321**	**316**	**1,637**	**2,171**	**323**	**2,494**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person

15.10. Information on the number of persons reported to have committed robbery and theft is presented in Table 15.7. In 2011, a total of 32,595 persons, of which 30,135 were males, were reported to have committed offences related to robbery and theft. This was a 22.8 per cent increase over the 2010 levels. Notable from the data is the large decline in the number of female offenders from 6,262 to 2,460 in the review period. Almost half of the reported offenders were accused of stealing. All categories of offences recorded increases with the exception of theft of stock which decreased by 16.0 per cent. The majority of female offenders were involved in the offence of stealing.

Table 15.7: Persons Reported to Police to have Committed Robbery and Theft by Sex, 2007-2011

Number

Offences	2007			2008			2009			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Robbery	3,630	54	3,684	2,975	201	3,176	2,973	128	3,101	2,396	902	3,298	3,358	171	3,529
Breakings	8,153	394	8,547	6,416	359	6,775	6,703	278	6,981	4,533	1,437	5,970	7,747	344	8,091
Theft of stock	1,797	63	1,860	1,854	52	1,906	2,772	83	2,855	1,762	327	2,089	1,622	132	1,754
Stealing	8,517	1,256	9,773	9,018	1,292	10,310	10,716	1,862	12,578	8,254	2,374	10,628	13,024	1,268	14,292
Theft by servant	1,836	597	2,433	1,427	461	1,888	2,010	1,031	3,041	2,157	828	2,985	2,794	484	3,278
Vehicle and other	1,071	10	1,081	1,049	187	1,236	1,179	24	1,203	1,184	394	1,578	1,590	61	1,651
Total	**25,004**	**2,374**	**27,378**	**22,739**	**2,552**	**25,291**	**26,353**	**3,406**	**29,759**	**20,286**	**6,262**	**26,548**	**30,135**	**2,460**	**32,595**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person

15.11. The number of persons reported to have committed offences related to drugs and criminal damage, corruption and economic crimes is tabulated in Table 15.8. The total number of persons involved in these offences in 2011 rose by 14.6 per cent to stand at 12,627, of which female offenders accounted for 10.0 per cent. The largest increase of the offenders in percentage terms was for the criminal damage category which increased by 58.2 per cent from 2,561 to 4,051 in the review period. This was followed by those who committed offences related to dangerous drugs which rose by 33.2 per cent from 3,903 in 2010 to 5,199 in 2011. During the same period, a decline of 55.1 per cent was noted in the category of persons reported to have committed offences involving Police officers. At the same time, the number of women involved in economic crimes declined by 59.3 per cent. Those reported to have committed offences related to corruption rose from 64 in 2010 to 148 in 2011.

Table 15.8: Persons Reported to have Committed Offences Related to Drugs, Criminal Damage, Economic crime and Corruption by Sex, 2007– 2011

Number

Offences	2007			2008			2009			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dangerous Drugs	5,166	351	5,517	3,833	435	4,268	5,527	507	6,034	3,491	412	3,903	4,777	422	5,199
Criminal Damage	2,585	454	3,039	2,668	427	3,095	3,353	637	3,990	2,091	470	2,561	3,669	382	4,051
Economic crimes	1,614	239	1,853	1,223	292	1,515	2,255	321	2,576	3,384	1,062	4,446	2,775	432	3,207
Corruption	165	15	180	32	11	43	205	5	210	53	11	64	128	20	148
Offences involving Police	50	3	53	37	21	58	124	16	140	45	4	49	18	4	22
Total	9,580	1,062	10,642	7,793	1,186	8,979	11,464	1,486	12,950	9,064	1,959	11,023	11,367	1,260	12,627

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to the Police to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a

Ethics and Anti-Corruption Commission (EACC)

15.12. The Ethics and Anti-Corruption Commission was established through an Act of parliament in August 2011 to take up responsibilities of the Kenya Anti-Corruption Commission (KACC). This was aimed at intensifying the efforts in the fight against corruption. Table 15.9 presents the number of cases handled by EACC/KACC by type and action taken. The total number of cases reported to EACC increased by 21.7 per cent from 6,018 in 2010 to 7,326 in 2011. The number of cases reported for investigation increased tremendously by 56.8 per cent from 1,796 to 2,816 in the period under review. Cases referred to other investigative agencies and public service organizations increased by 60.2 and 21.4 per cent, respectively. Similarly, increases were observed among cases with no further action and those forwarded to the Attorney General, which recorded an increase of 38.0 and 30.8 per cent, respectively. Reductions were recorded in the number of cases pending for more information (27.1 per cent); corruption cases registered (52.6 per cent) and convictions obtained (26.5 per cent).

Table 15.9: Number of Cases Handled by EACC by Type and Action Taken, 2007 – 2011

Number

Type of cases	2007	2008	2009	2010	2011*
No. of corruption cases for investigation	1,527	1,038	1,395	1,796	2,816
Criminal cases referred to other investigative	554	171	170	196	314
Cases referred to public service organizations for administrative intervention	865	445	605	813	987
Pending more information	92	61	84	59	43
Complainants advised on the right authority to	2,441	1,576	1,558	2025	2,050
Complainants advised to seek civil redress	1,124	473	537	950	869
No further action	125	104	124	179	247
Total	**6,728**	**3,868**	**4,473**	**6,018**	**7,326**
Cases forwarded to AG	122	126	202	104	136
Convictions obtained	22	11	43	34	25

Source: Ethics and Anti-Corruption Commission

* Provisional

Department of Public Prosecution

15.13. The Office of the Director of Public Prosecution (DPP) is an Independent Constitutional Office entrenched in the New Constitution promulgated in August, 2010. A new DPP was appointed in the review period in line with requirements of the Constitution. The DPP's office is mandated to direct the National Police Service to investigate allegations of criminal conduct; institute and undertake criminal proceedings; take over and continue with any criminal proceedings commenced in any court and, discontinue any criminal proceedings with the permission of the court. Table 15.10 presents the number of registered murder cases and convictions obtained by station for the last five years. The number of registered murder cases declined slightly by 3.2 per cent from 1,025 in 2010 to 992 in 2011. Similarly, the number of convictions decreased from 220 in 2010 to 120 in 2011.

Table 15.10: Registered Murder Cases and Convictions obtained by Station, 2007-2011

Number

	2007		2008		2009		2010		2011*	
Station	**R**	**C**	**R**	**C**	**R**	**C**	**R**	**C**	**R**	**C**
Nairobi	92	20	111	8	111	34	108	38	99	9
Mombasa	31	0	35	1	54	1	37	4	33	0
Kisumu	39	1	54	9	48	11	52	6	75	8
Eldoret	49	0	46	7	63	12	80	26	88	16
Kitale	26	0	41	18	44	19	67	10	65	1
Kakamega	41	8	51	3	60	6	42	8	54	9
Bungoma	75	7	52	3	22	10	46	24	31	5
Meru	86	1	88	7	92	44	81	45	70	38
Machakos	77	5	112	15	72	12	90	9	77	6
Kericho	20	7	50	23	37	14	28	0	56	1
Nyeri	54	5	70	21	62	7	45	8	37	1
Kisii	45	2	59	3	78	2	123	10	122	10
Embu	9	2	12	3	24	1	41	9	25	2
Malindi	16	0	26	1	21	4	36	10	32	2
Nakuru	121	20	132	19	105	27	133	13	91	12
Busia							16	0	37	0
Total	**781**	**78**	**939**	**141**	**893**	**204**	**1,025**	**220**	**992**	**120**

Source: Department of Public Prosecutions

* Provisional

R - Registered murder cases

C - Murder convictions obtained

Judiciary

15.14. In line with the new constitutional dispensation, a Supreme Court was established in 2011 and high court and Supreme Court judges appointed. This was done as part of the reforms aimed at improving service delivery in the judiciary. Table 15.11 shows the number of cases handled by various courts. The Magistrate's and Kadhi's courts both recorded decreases in the number of cases filed while the High Court registered an increase of 26.3 per cent. The total number of cases filed in all courts reduced by 12.0 per cent from 394,557 in 2010 to 347,322 in 2011. The total number of pending cases declined marginally from 660,381 in 2010 to 650,010 in 2011. The data further shows that the total number of cases disposed of reduced by 37.9 per cent from 575,706 in 2010 to 357,693 in 2011. The high number of case disposals in 2010 was as a result of termination of all cases that had been pending for more than five years. All the courts registered declines in the number of cases disposed of.

Table 15.11: Cases Handled by Various Courts, 2007-2011

Number

Year	Status of Case	Magistrate's Courts	High Courts	Kadhi's Court	Total
2007	Filed	408,097	..	..	408,097
	Pending	780,772	..	..	780,772
	Disposed of	500,788	..	..	500,788
2008	Filed	351,181	..	..	351,181
	Pending	796,987	..	..	796,987
	Disposed of	360,952	..	..	360,952
2009	Filed	415,378	27,440	1,086	443,904
	Pending	732,482	106,898	2,150	841,530
	Disposed of	433,079	21,251	792	455,122
2010	Filed	371,697	20,428	2,432	394,557
	Pending	615,526	42,059	2,796	660,381
	Disposed of	488,653	85,267	1,786	575,706
2011*	Filed	319,469	25,798	2,055	347,322
	Pending	596,283	50,462	3,265	650,010
	Disposed of	338,712	17,395	1,586	357,693

Source: Judiciary

*Provisional

.. Data not available

Notes:

Filed refers to all cases brought before the magistrates' courts during the year under reference

Pending cases refer to the cases which had not been arbitrated by 31st December during the year under

Disposed of cases refer to cases that judgment was entered by 31st December during the year under re

15.15. Table 15.12 shows the distribution of Magistrates and Judges in all Courts by cadre from 2007 to 2011. The total number of judicial officers increased slightly by 2.7 per cent from 414 in 2010 to 425 in 2011. The total number of magistrates reduced by 5.6 per cent from 358 to 338 while that of judges increased from 56 to 87 in the period under review. The data shows that reductions in numbers were recorded among Chief Magistrates (7), Senior Principal Magistrates (4) and Court of Appeal Judges (1). The reduction is attributed to the promotions from one level to the other. The greatest increase was noted among the High Court Judges (55.6 per cent), whose numbers increased from 45 to 70 in the period under review.

Table 15.12: Distribution of Magistrates and Judges in Law Courts by Cadre, 2007 – 2011

Number

Category of Magistrates	2007	2008	2009	2010	2011*
Chief Magistrates	14	14	22	22	15
Senior Principal Magistrates	18	17	25	26	22
Principal Magistrates	34	35	52	69	69
Senior Resident Magistrates	100	100	87	93	89
Resident Magistrates	74	116	95	74	74
District Magistrate (II)	12	5	0	74	69
Sub-total	252	287	281	358	338
Category of Judges					
Court of Appeal Judges	11	10	11	11	10
High Court Judges	49	48	46	45	70
Supreme Court Judges	0	0	0	0	7
Sub-total	**60**	**58**	**57**	**56**	**87**
Grand Total	**312**	**345**	**338**	**414**	**425**

Source: Judiciary

* Provisional

Prisons Statistics

15.16 Details of prison population by sentence duration are presented in Table 15.13. The prison population per 100,000 increased slightly from 633.8 in 2010 to 664 in 2011. The number of prisoners declined slightly from 253,524 in 2010 to 247,166 in 2011. The population of convicted prisoners declined by 13.1 per cent to 76,991 in 2011 while that of remandees increased by 3.2 per cent from 164,893 in 2010 to 170,175 in 2011. The population of those jailed for less than 1 month, declined by 21.7 per cent, while that of those sentenced to between 1 month and 2 years declined by 11.1 per cent.

Table 15.13: Prison Population by Sentence Duration, 2007 – 2011

Number

	2007		2008		2009		2010		2011*	
	M	F	M	F	M	F	M	F	M	F
Sentenced to 2 yrs or more	7,982	275	4,447	156	6,248	251	5,700	333	5,474	317
Sentenced to 1 Month - 2yrs	48,498	6,687	56,832	5,885	67,533	7,941	53,367	7,069	48,169	5,584
Less than 1 Month	22,860	2,647	17,549	2,800	22,123	3,073	18,556	2,858	15,116	1,656
Committed for debt	748	73	621	124	858	5	739	9	655	20
Total Convicted Prisoners	**80,088**	**9,682**	**79,449**	**8,965**	**96,762**	**11,270**	**78,362**	**10,269**	**69,414**	**7,577**
Total Convicted	**89,770**		**88,414**		**108,032**		**88,631**		**76,991**	
Committed for safe custody (remand)	24,457	12,337	59,595	11,816	178,171	13,535	151,688	13,205	157,891	12,284
Total Remand	**36,794**		**71,411**		**191,706**		**164,893**		**170,175**	
Total Population (sex)	**124,475**	**26,988**	**138,758**	**20,895**	**274,933**	**24,805**	**230,050**	**23,474**	227,305	19,861
Total Population	**151,463**		**159,653**		**299,738**		**253,524**		**247,166**	
Number Previously convicted	30,914	3,610	24,656	1,780	24,906	1,025	28,058	2,489	20,620	1,966
Deaths (Excluding Executions)	465	10	751	12	328	2	194	8	210	10
Prison population (per 100,000 population)	**422.8**		**434.4**		**794.5**		**658.9**		**625.0**	

Source: Kenya Prisons Service Department

* Provisional

M: Male

F: Female

15.17. Table 15.14 shows the Daily Average Population (DAP) of prisoners by sex from 2007 to 2011. The DAP decreased by 13.1 per cent from 49,549 in 2010 in 43,041 in 2011. The DAP of convicted prisoners declined slightly by 4.9 per cent to 30,439 while the DAP of remandees went down by 28.2 per cent to 12,602 in 2011. The DAP of males convicted and remanded decreased by 4.5 per cent and 29.8 per cent, respectively. The data further shows that the DAP of both convicted and remanded females declined in the period under review.

Table 15.14: Daily Average Population of Prisoners by Sex, 2007 – 2011

Number

		2007	2008	2009	2010	2011*
Convicted Prisoners						
	Males	21,373	24,420	29,002	30,674	29,309
	Females	876	1,009	1,429	1,320	1,130
Sub-Total		**22,249**	**25,429**	**30,431**	**31,994**	**30,439**
Remanded Prisoners						
	Males	17,299	20,231	20,619	16,467	11,554
	Females	2,369	943	1,092	1,087	1,048
Sub -Total		**19,668**	**21,174**	**21,711**	**17,555**	**12,602**
Total		**41,917**	**46,603**	**52,142**	**49,549**	**43,041**

Source: Kenya Prison Service Department

15.18. Table 15.15 presents the number of convicted prisoners by age and sex from 2007 to 2011. The data shows that the population of female prisoners declined by 26.2 per cent to 7,577 in 2011, whereas that of males declined by 11.4 per cent to 69,414 in the same period. Notable increases were recorded for males under 16 years, from 43 to 160 followed by those aged 16 -17 years who recorded an increase of 19.3 per cent.

Table 15.15: Convicted Prison Population by Age and Sex, 2007– 2011

Number

Year	Sex	Under 16	16 -17	18-20	21-25	26-50	51+	Total
	Male	135	2,787	16,301	24,244	29,830	6,791	80,088
	Female	-	260	2,071	3,047	3,869	435	9,682
2007	Total	135	3,047	18,372	27,291	33,699	7,226	89,770
	Male	154	1,959	16,225	20,471	29,339	11,301	79,449
	Female	-	263	2,690	2,472	3,257	283	8,965
2008	Total	154	2,222	18,915	22,943	32,596	11,584	88,414
	Male	24	2,890	21,770	30,822	32,970	8,286	96,762
	Female	25	207	2,453	4,247	3,856	482	11,270
2009	Total	49	3,097	24,223	35,069	36,826	8,768	108,032
	Male	43	2,139	17,605	24,499	27,519	6,557	78,362
	Female	17	413	1,784	3,526	3,901	628	10,269
2010	Total	60	2,552	19,389	28,025	31,420	7,185	88,631
	Male	160	2,551	13,739	21,923	26,509	4,532	69,414
	Female	4	185	1,238	2,344	3,412	394	7,577
2011*	Total	164	2,736	14,977	24,267	29,921	4,926	76,991

Source: Kenya Prison Service Department

15.19. The number of convicted prisoners by type of offence is presented in Table 15.16. The convicted prisoners under the Liquor Act declined from 17,302 to 13,313 during the period under review. This may be attributed to the enforcement of the 2010 liquor act. Males accounted for 62.6 per cent of the total decline. There was an increase of 14.6 per cent from 3,280 in 2010 to 3,759 in 2011, among convicted prisoners jailed for offences related to Employment Act. Whereas the number of males increased by 32.8 per cent in this category, that of females declined by 19.5 per cent.

Table 15.16: Convicted Prisoners by Type of Offences 2007 – 2011

Number

Type of Offences[1]	2007		2008		2009		2010		2011*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Order & administration of lawful authority	18,600	885	9,387	726	12,318	1,023	8,980	652	7,984	297
Injurious to public	3,550	215	2,792	190	3,654	180	3,026	216	2,670	167
Against person	4,508	509	4,678	612	5,683	630	4,977	555	4,085	561
Related to property	9,285	502	10,466	423	11,355	505	8,975	566	8,822	492
Attempts & conspiracies	3,892	176	3,643	73	3,816	100	3,354	229	3,134	107
Employment Act	95	1,073	1,304	1,172	2,451	1,301	2,138	1,142	2,840	919
Liquor Act	21,596	3,522	19,373	2,957	23,287	4,095	13,295	4,007	10,798	2,515
Drugs related	4,060	299	4,552	1,187	5,447	159	4,365	152	3,793	121
Various cases	14,502	2,501	23,254	1,625	28,751	3,277	29,252	2,750	25,288	2,398
Total	**80,088**	**9,682**	**79,449**	**8,965**	**96,762**	**11,270**	**78,362**	**10,269**	**69,414**	**7,577**

Source: Kenya Prison Service Department

* Provisional

[1] Type of offences are discussed in appendix 15.2 at the end of this chapter

15.20. Table 15.17 shows the number of Police, Prison and Probation officers by sex from 2007 to 2011. The number of Police and Prison officers declined marginally by 2.4 per cent and 1.3 per cent from 40,708 to 39,719 in 2011 and 19,993 to 19,737 in 2010, respectively. During the same period, the number of Probation officers increased by 38.3 per cent from 624 in 2010 to 863 in 2011. The female probation officers accounted for 56.9 per cent of the additional probation officers.

Table 15.17: The Number of Police, Prison and Probation Officers by Sex, 2007– 2011

Number

Year	Type of Personnel	Police Officers	Prison Officers	Probation Officers
2007	Male	37,382	13,953	259
	Female	3,615	2,573	156
	Total	**40,997**	**16,526**	**415**
2008	Male	41,727	14,450	286
	Female	3,330	2,805	179
	Total	**45,057**	**17,255**	**465**
2009	Male	37,342	15,569	357
	Female	3,910	2,952	260
	Total	**41,252**	**18,521**	**617**
2010	Male	36,792	16,966	390
	Female	3,916	3,027	234
	Total	**40,708**	**19,993**	**624**
2011*	Male	35,964	16,796	493
	Female	3,755	2,941	370
	Total	**39,719**	**19,737**	**863**

Source: Kenya Police, Prisons Service and Probation and Aftercare Departments

* Provisional

Probation and Aftercare Statistics

15.21. Probation and Aftercare Department is a service department within the criminal justice system which contributes significantly to the administration of justice. It provides critical information on offenders whenever required by courts; supervises non-custodial court orders; provides information to penal institutions on offenders and their background, and identifies workplaces for persons who are placed under community service orders. Table 15.18 shows

the number of offenders serving probation sentence, community service and aftercare by sex and type of offence, from 2010 to 2011. The number of offenders placed under community service order reduced by 30.0 per cent from 55,464 in 2010 to 38,840 in 2011 while offenders serving probation declined by 23.0 per cent from 15,933 to 12,276 in the same period. The number of offenders serving aftercare during the review period increased marginally, by 0.3 per cent from 879 to 882.

Table 15.18: Number of Offenders Serving Probation Sentence, Community Service and Aftercare by Sex and Type of offence, 2010-2011

Offence	Offenders Serving Probation Sentence						Offenders Serving Community Service						Offenders Serving Aftercare					
	2010			2011*			2010			2011*			2010			2011*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Murder (including attempt)	61	34	95	51	9	60	0	0	0	3	0	3	33	4	37	23	1	24
Manslaughter	65	60	125	77	21	98	6	0	6	41	8	49	15	2	17	19	2	21
Rape (including attempt)	88	0	88	205	0	205	50	0	50	84	23	107	19	0	19	47	0	47
Assault	1,601	558	2,159	638	554	1,192	390	97	487	1,713	383	2,096	45	10	55	15	0	15
Other offences against the	1,268	482	1,750	954	294	1,248	8,448	194	8,642	959	321	1,280	53	12	65	49	0	49
Robbery and Allied offences	97	50	147	105	4	109	58	0	58	71	18	89	35	0	35	7	0	7
Breakings	771	44	815	828	41	869	260	16	276	849	58	907	156	6	162	207	0	207
Theft of Stock	417	20	437	298	15	313	306	20	326	367	8	375	31	0	31	33	2	35
General stealing	2,191	323	2,514	1,690	282	1,972	2,866	113	2,979	4,328	599	4,927	190	25	215	163	2	165
Theft of M/vehicle	22	5	27	38	2	40	68	2	70	37	3	40	1	0	1	1	0	1
Theft of M/vehicles parts	32	0	32	32	2	34	0	0	0	246	0	246	1	0	1	0	0	0
Theft from m/vehicles	16	0	16	15	0	15	8	0	8	7	2	9	10	0	10	6	0	6
Theft of bicycles	54	3	57	28	6	34	24	6	30	57	3	60	4	0	4	2	0	2
Theft by servant	304	118	422	321	130	451	1,264	87	1,351	839	329	1,168	7	4	11	2	2	4
Dangerous drugs	1,576	192	1,768	724	145	869	1,702	142	1,844	1,612	316	1,928	80	15	95	64	0	64
Handling stolen property	213	43	256	227	74	301	429	22	451	979	53	1,032	8	2	10	12	0	12
Corruption	43	17	60	2	1	3	4	1	5	13	2	15	0	0	0	0	0	0
Causing death by dangerous	33	15	48	30	0	30	3	0	3	8	0	8	0	0	0	0	0	0
Other offences against property	799	169	968	668	529	1,197	1,141	190	1,331	1,860	319	2,179	33	6	39	82	2	84
All other penal code offences	3,259	890	4,149	2,491	745	3,236	33,788	3,759	37,547	19,351	2,971	22,322	70	2	72	139	0	139
TOTAL	12,910	3,023	15,933	9,422	2,854	12,276	50,815	4,649	55,464	33,424	5,416	38,840	791	88	879	871	11	882

Source: Probation and Aftercare Department

*Provisional

Voters Registration

15.22. The Government, during the period under review, established an Independent Electoral and Boundaries Commission (IEBC) to replace the Interim Independent Electoral Commission (IIEC) and Interim Independent Boundaries Commission (IIBC) to handle electoral administration and management. The Chairman and Commissioners were appointed during the review period. There was no voter registration conducted in 2011.

Immigration Statistics

15.23. During the year under review, the Kenya Citizens and Foreign Nationals Management Service was established through an Act of Parliament. This Act provides for the creation and maintenance of a national population register and administration of the laws relating to births and deaths, identification and registration of citizens, immigrants and refugees; administration of the laws relating to marriages and for connected purposes. Table 15.19 presents the number of registered aliens, entry permits issued or renewed and passports issued in the period 2007 to 2011. The number of entry permits issued increased by 13.4 per cent from 18,862 in 2010 to 21,383 in 2011. Similarly, entry permits renewed increased by 14.5 per cent to 23,498 in the same period. The number of passports issued and aliens registered also increased by 0.5 per cent and 6.1 per cent, respectively, in the period under review.

Table 15.19: Number of Aliens Registered and Passports and Entry Permits Issued, 2007-2011

Number

Category	2007	2008	2009	2010	2011*
Entry Permits Issued	10,812	11,530	11,096	18,862	21,383
Passports Issued	126,213	128,345	153,266	167,528	168,324
Entry Permits Renewed	4,743	3,302	5,953	20,521	23,498
Aliens Registered	21,365	17,451	18,751	17,944	19,034

Source: Department of Immigration

* Provisional

National Identity Cards Statistics

15.24. The National Identity Card (ID) is one of the main legal identification documents recognized in Kenya and is issued to all Kenyans aged 18 and above. Currently, the Government is working on provision of 3rd generation ID card which will include more personal details and enhanced security features. Table 15.20 presents data on applications, processing and collection of New Identity cards (Not Previously Registered) by province. The number of identity cards processed in 2011 increased by 28.8 per cent to stand at 814,406. Applications made for new ID cards and those collected declined by 22.6 per cent and 37.7, per cent respectively. All provinces with the exception of Coast Province experienced a decline in new applications for ID cards. The greatest decline in percentage term (41.5 per cent) in the new applications for ID card was recorded in North Eastern Province. All provinces with the exception of Nairobi (which registered a decline of 18.4 per cent) recorded increases in processing of ID cards. Eastern Province registered the largest number of processed ID cards (37,210) followed by Rift Valley at 31,669. During the same period, the number of processed ID cards in Nairobi Province reduced by 12,019.

Table 15.20: Applications Made and Processed and Collection of New Identity Cards by Province, 2009 – 2011

Number

Province	Application Made			Applications Processed			Identity Cards collected		
	2009	2010	2011*	2009	2010	2011*	2009	2010	2011*
Central	75,849	112,699	91,509	71,408	87,989	113,941	67,835	82,212	51,277
Coast	50,085	62,960	68,339	67,052	41,205	68,531	53,612	40,024	26,367
Eastern	100,897	178,881	114,876	93,004	104,985	142,195	92,528	96,927	68,413
Nairobi	62,681	69,950	49,982	60,926	65,204	53,185	62,742	55,878	33,587
N/eastern	1,691	17,745	10,376	5,169	7,669	33,414	4,424	6,254	12,754
Nyanza	85,873	162,588	131,232	83,033	104,765	123,603	84,570	103,306	57,389
Rift valley	151,346	240,768	184,530	131,394	149,273	180,942	115,827	175,205	97,523
Western	83,320	131,380	105,564	66,548	71,129	98,595	65,560	79,538	51,063
Total.	**611,742**	**976,971**	**756,408**	**578,534**	**632,219**	**814,406**	**547,098**	**639,344**	**398,373**

Source: National Registration Bureau

* Provisional

Appendix 15.1: Police Department Reclassified offences in view of new Legislations such as the Economic Crimes, starting from 2008 Economic Survey

CODE	OFFENCES	CATEGORY OF OFFENC	CODE	OFFENCES	CATEGORY OF OFFENCES
1	HOMICIDE	a) Murder	9	VEHICLE AND OTHER	a) Theft of M/V
		b) Manslaughter		THEFTS	b) Theft from M/V
		c) Infanticide			c) Theft of M/V part
		d) Procuring Abortion			d) Theft of M/Cycle
		e) Concealing Birth			
		f) Suicide	10	DANGEROUS DRUGS	a) Possession
		g) Causing Death by dangerous Driving			b) Handling
					c) Trafficking
					d) Cultivating
2	OFFENCES	a) Rape			e) Usage
	AGAINST MORALITY	b) Defilement			
		c) Incest			
		d) Unnatural			
		Offences(Sodomy)	11	TRAFFIC OFFENCES	a) Taking and Driving Motor
		e) Bestiality			Vehicle without Authority
		f) Indecent assault			b) Driving under influence of
		g) Abduction			alcohol
		h) Bigamy			
			12	CRIMINAL DAMAGE	a) Malicious Damage
3	OTHER OFFENCES	a) Assault			b) Arson
	AGAINST PERSONS	b) Creating Disturbance			c) Negligent Acts
		c) Affray			
			13	ECONOMIC CRIMES	a) Obtaining by False Pretense
4	ROBBERY	a) Robbery			b) Currency Forgery
		b) Robbery with Violence			c) Other Fraud/Forgery Offences
		c) Carjacking			
		d) Robbed of M/V	14	CORRUPTION	a) Soliciting for Bribe
		e) Cattle Rustling			b) Accepting Bribe
					c) Accept Free Gifts
5	BREAKING	a) House Breaking			d) Demanding by false pretence
		b) Burglary			e) Other Corruption Offences
		e) Other Breakings			
			15	OFFENCES INVOLVING	a) Soliciting for Bribe
6	THEFT STOCK			POLICE OFFICERS	b) Accepting Bribe
		a) Handling Stolen			
7	STEALING	Property			c) Accept Free Gifts
		b) Stealing from Person			d) Demanding by false pretence
		c) Stealing by			
		Tenants/lodgers			e) Other Criminal Offences
		d) Stealing from a building			
		e) General Stealing	16	OFFENCES INVOLVING	a) Bag Snatching
8	THEFT BY SERVANT	a) Stealing by Directors		TOURIST	b) Other offences Against Tourists
		b) Stealing by			
		employee/servant			c) Other Offences involving Tourist

Appendix 15.2: Description of type of Offences Convicted

Order & administration of lawful authority	Treason, incitement to mutiny, and aiding civil disobedience
Injurious to public	Stealing govt. property, stealing by person in public service, stealing from state corporations
Against person	Assault, grievous harm, murder etc
Related to property	Theft, robbery with violence, arson
Attempts & conspiracies	Attempts to commit offences, neglect to prevent offence, conspiracies to commit offences
Employment act	Employment of aliens without permit
Drugs related	Possession, manufacture, trafficking etc of any quantity
Various cases	By- laws under the local govt. act, traffic act, tax act et

Chapter 16

External Trade Price and Trade Weighted Indices

Introduction

External trade price indices are calculated for use as a measurement of price and quantity changes in external trade. Foreign trade indices, therefore, provide an overall measure of unit value and volume changes of exported and imported goods. The trade indices computed are based on unit values. The unit value indices are more widely used because they cover relatively a larger proportion of commodities than price indices. This is because data required for compilation of unit value indices are derived from administrative records of the customs office and are readily available and hence low cost implications.

16.1. Foreign trade indices both in value and in volume are useful in economic policy analysis of competitiveness (on domestic and external markets); measurement and forecasting of inflation; analysis of exchange rate; measuring changes in a country's terms of trade; and as a deflator of export and import values to generate measures of change in export and import volumes for compilation of national accounts.

16.2. The Trade Weighted Index (TWI), also known as the effective exchange rate, is a multilateral exchange rate which is a weighted average of exchange rates of home and foreign currencies, with the weight for each foreign country equal to its share in trade. It measures the average price of a home good relative to the average price of goods of trading partners, using the share of trade with each country as the weight for that country. The basket of currencies selected for inclusion in the TWI was chosen in such a way that they covered at least 75 per cent of Kenya's two-way merchandise trade of imports/exports. A total of 16 currencies (including Euro which is used by certain selected 6 countries in the Euro zone) were chosen to represent 21 countries.

Rebasing of External Trade Price Indices

16.3. The last revision of import and export price indices was done in 1982 for both the reference and the weighting base year. The Kenya Revenue Authority customs administrative records remain the source of data for computation of annual imports and exports price indices. The basic methodology previously used involved the use of Laspeyres price index formula by applying base year weights based on the trade patterns in 1982. The annual unit values for some selected 200 commodity exports and 307 commodity imports were computed to derive aggregate index numbers for each of sections 0-8 of the Standard International Trade Classification (SITC) for a specific year. Due to an outdated base year, coupled with other changes in trading patterns, the following were observed on the computed export and import indices:

1) Lack of proper representativeness of the items and their respective weights on the current trading patterns. Many emerging contemporary major items were excluded from the indices or were under-weighted while many emerging minor items were over-weighted in the indices.
2) A high proportion of the 8-digit and 3-digit SITC items had small weights of less than 0.1 per cent of their section value. As such, their price movements had little impact on published aggregate except in the rare case of massive price changes. For instance, in exports, of the 145 certain price indicators, 39 of them accounted for over 90 per cent of the total value of the indicators in the base year.

3) In some cases, a very small number of items attracted a very high proportion of the weights e.g. in section 0, for imports, two items had 89 per cent of their section weight while the remaining 11 per cent of the weight was spread amongst the remaining 36 items. Ideally, the same section index numbers could have been derived from the two dominant items. Hence, the need for rationalization of the composition of the price indicators.
4) The previous indices were not consistently structured within various sections of the SITC. Thus, the sections were decomposed into a mixture of 8-digit, 4-digit, and 3-digit SITC items, rather than progressing through successive levels.
5) The unit values used as indicators of price movements were based on total imports/exports of an item regardless of the country of origin/destination. This was a major shortcoming in the compilation methodology because compositional shifts in the country mix over time could generate very large apparent item price changes even when none of the individual country prices changes.

Selection Criteria of the New Basket of Commodities

16.4. The selection criteria of the commodities aimed at selecting major items for direct inclusion in the indices. Minor ones were excluded with the objective of optimizing overall representation. Quantity and value transaction data were classified according to SITC.

16.5. The detailed selection of items at various SITC levels for each section is shown in Table 16.1. In the computation of export indices, 16 two-digit items were selected to represent the 9 one-digit sections, 35 three-digit items were selected to represent the two-digit items, and 100 eight-digit items were selected to represent the three-digit items. For imports indices, 26 two-digit items were selected to represent the 9 one-digit sections, 69 three-digit items were selected to represent the two-digit items, and some 241 eight-digit items were selected to represent the three-digit items. Some of the important items included in the new basket were telephone for cellular network or for other wireless networks and smart cards. In the computation of the indices, the values for the commodities in section 9 (Commodities and transactions not elsewhere stated) were proportionately redistributed in sections 0 to 8, hence section 9 was omitted in Table 16.1.

Table 16.1: Exports and Imports at Various SITC Levels

Section	Description	Exports			Imports		
		2-Digit Level Items	3-Digit Level Items	8-Digit Level Items	2-Digit Level Items	3-Digit Level Items	8-Digit Level Items
0	Food and live animals	2	9	21	2	4	7
1	Beverages and tobacco	1	1	2	2	2	4
2	Crude materials, inedible except fuels	1	1	3	2	3	7
3	Mineral fuels, lubricants and related materials	1	1	5	1	2	5
4	Animal and vegetable oils	1	1	3	1	1	2
5	Chemicals and related products not elsewhere stated	3	3	9	3	4	12
6	Manufactured goods classified chiefly by materials	3	7	15	4	16	69
7	Machinery and transport equipment	2	4	9	7	25	104
8	Miscellaneous manufactured articles	2	8	33	4	12	31
	Total	**16**	**35**	**100**	**26**	**69**	**241**

New Reference Base Period

16.6. The year 2009 was selected as the base period to be consistent with that of the Consumer Price Index (CPI).

Base Period Weighting

16.7. An analysis of a range of time series of annual import and export trade patterns was undertaken. The distribution of import (and export) values between 1-digit SITC sections over the period 2006-2010 was first examined. From the analysis, there was no clear trend in the commodity distribution with the relative proportions of different sections fluctuating significantly from year-to-year. The percentage share of major imports at 1-digit level to total imports is shown in Table 16.2 while percentage share of major exports at 1-digit level to total exports is shown in Table 16.3.

Table 16.2: Percentage Shares of Major Imports at 1-Digit SITC Level to Total Imports

Section	Description	2006	2007	2008	2009	2010	Average
3	Mineral fuels, lubricants and related materials	25.5	21.3	27.2	21.4	22.4	23.3
5	Chemicals and related products not elsewhere stated	14.7	12.9	13.1	13.0	13.4	13.2
6	Manufactured goods classified chiefly by materials	15.9	15.8	14.4	13.8	14.8	14.7
7	Machinery and transport equipment	32.9	31.2	27.8	30.1	30.7	30.1

Table 16.3: Percentage Shares of Major Exports at 1-Digit SITC Level to Total Exports

Section	Description	2006	2007	2008	2009	2010	Average
0	Food and live animals	41.6	39.0	38.9	40.0	42.3	40.4
2	Crude materials, inedible except fuels	14.8	14.7	16.3	15.2	12.7	14.6
8	Miscellaneous manufactured articles	13.0	11.8	10.7	9.9	9.1	10.7

16.8. Similar analyses were undertaken for a sample of distributions at the 2-digit, 3-digit and 8-digit levels of the SITC. There were no clear trends discernable with fluctuations being higher at the lower levels. It was, therefore, concluded that the year-to-year fluctuations in the patterns of imports and exports were sufficient to prefer weighting patterns based on the average patterns of trade over the 2006-2010 period, rather than a single year. This was applied at all levels of aggregation from the 8-digit to the 3-digit, 2-digit and 1-digit SITC levels.

Assignment of Weights

16.9. A top-down approach was applied in the determination of the index structure, composition and the allocation of the weights. This was to maximize the indirect representation of unpriced items in each index through chain representation. The following steps were applied for each index, using revalued annual trade data summed over the five years (2006 to 2010) for each S.I.T.C section as the control aggregate:

Step 1: The major 2-digit items contributing to their respective 1-digit section, in terms of the sum of the values for the years 2006 to 2010, were selected for direct inclusion in the index. The rule applied was aimed at achieving around 80 per cent or more direct coverage depending on the degree of concentration. Then, the full section value was distributed proportionately among the selected 2-digit items.

Step 2: The process was repeated at the 3-digit level, selecting the major 3-digit items from each of the selected 2-digit items from Step 1, again targeting some 80 per cent coverage. Then, again the full 2-digit value from Step 1 was distributed proportionately among the selected 3-digit items.

Step 3: The process was repeated at the 8-digit level, selecting the dominant 8-digit items from each of the selected 3-digit items from Step 2, aiming at high coverage. Then, the full 3-digit value from Step 2 was distributed proportionately among the selected 8-digit items.

16.10. The results of these processes was the derivation of the structure and composition (the basket) of the index and the relative values within the 1-digit, 2-digit, 3-digit and 8-digit hierarchical structure which is the basis for the derivation of the fixed weighting pattern. The outcome was that the sum of all the selected 8-digit values was equal to their section value and no values were left pending. The rationale for this approach was that the prices of items not directly represented in the index were more likely to move in line with those of similar commodities directly represented in the index by price indicators. In general, similar items were grouped together within the SITC structure, thus supporting the top-down allocation process described above. At successive levels, weights were calculated for each 8-digit, 3-digit and 2-digit level in the index structure to form the weighting patterns.

Methodology of Compiling Trade indices

16.11. A price index is a summary measure of the proportionate or percentage changes in a set of prices over time. The prices of different goods and services do not change at the same rate. A price index thus summarizes their movement by averaging them. Thus, a price index assumes a value of unity or 100 in some base period. The values of the index for other periods of time show the average proportionate, or percentage, change in prices from the base period.

UN Recommendation

16.12. It is recommended International Manual on Trade Statistics (IMTS 2010) that all countries produce and publish volume indices and either unit value or price indices for their total imports and exports on a monthly, quarterly and annual basis. Unit value indices are based primarily on customs documents and price indices are based on survey data. Although price indices are generally preferred, in practice countries may not have the resources available to compile that information.

Methodology Adopted

16.13. Kenya adopted unit value indices methodology for computation of external trade price indices, a practice that is common worldwide. This is because data required for the unit value indices is readily available from the administrative customs records of Kenya Revenue authority (KRA) which imply low resource cost. In addition, unit value indices covers a relatively larger proportion of commodities than price indices. Price relatives as ratios of current prices and base period prices were aggregated with fixed weights. It is important to note that imports are recorded on a Cost, Insurance and Freight (CIF) basis while exports are on a Free-On-Board (F.O.B) basis.

Import/Export Indices

16.14. Export Price Indices (XPIs) measure changes in the prices of the goods provided by the residents of a given economic territory (e.g, country) and used by nonresidents (i.e. the rest of the world). Import Price Indices (MPIs) measure changes in the prices of goods and services provided by nonresidents (rest of the world) to residents (the economic territory or country).

16.15. A Paascherized-Laspeyres formula was used with 2009 being the base year. Therefore, the export and import price indices were computed for domestic exports and direct imports using the following formulae:

Laspeyres' Price Index

$$P_{oi}^{La} = \frac{\sum p_{ij}\omega_{oj}}{\sum p_{oj}\omega_{oj}}$$

Paasche's Price Index

$$P_{oi}^{Pa} = \frac{\sum p_{ij}\omega_{ij}}{\sum p_{oj}\omega_{ij}}$$

Where,

p_{oj} denotes the price of the j[th] commodity in the base year.

p_{ij} denotes the price of the j[th] commodity in the i[th] year.

ω_{oj} denotes the weight of the j[th] commodity in the base year.

ω_{ij} denotes the weight of the j[th] commodity in the i[th] year.

i=0, 1, 2 … k refer to the various years, 'o' serving as the base year and 'i= 1, 2, 3…k' as the given year.

j=1, 2, 3…n refer to the commodities

Fisher's Price Index

This is given by the geometric mean of Laspeyre's and Paasche's formulae

$$P_{oi}^{F} = SQRT\left(P_{oi}^{La} X\, P_{oi}^{Pa}\right)$$

Terms of Trade

16.16. Terms of Trade (ToT) is simply, the ratio of export unit value index to import unit value index. Therefore, ToT is a measure of the degree at which a country gets favorable transaction terms (in terms of prices) for its exports relative to its imports. It implies that ToT has an element of the purchasing power of income. ToT is illustrated by the following equation:

ToT = (Index of export unit value/Index of import unit value)*100

Indices Relationships

16.17. The relationship between value index, quantity index and unit value index is depicted in the following equations:

Unit value index X Quantity index = Value index

$$Value\ Index = \sum \frac{V_t}{V_o} \times 100$$

Where,

V_t denotes volume of a particular commodity in a given year t

V_o denotes the volume of a particular commodity in the base year

Quantity index = (Value index) / (Unit value index)

From the foregoing, if the value index is relatively high, the quantity index will definitely be high.Conversely, if the unit value index is relatively high, the quantity indexwill be low.

Splicing the Old and New Index Numbers

16.18. In order to obtain continuity in the comparison of two or more overlapping series of index numbers, the series are combined or spliced into a single continuous series. In this case, the old index number series with 1982 base year and the new index number series with 2009 base year were considered. The change was necessary because the former series was obsolete since the transactions in various commodities in terms of values and quantities have changed immensely over time. In order to compare the old series with the new series, the old series is spliced to new series or the new series is spliced to the old series, to obtain a continuous series

from either base period ***(See annexes 16.1 – 16.3 for the spliced tables).***

Trade Weighted Exchange Rate Index (TWI)

16.19. A trade-weighted currency index is a weighted average of exchange rates of a basket of currencies that reflects the importance of a country's trade (imports and exports) with these countries. Sometimes a trade-weighted currency index is taken as a crude measure of a country's international "competitiveness". The Trade Weighted Index (TWI), also known as the effective exchange rate, is a multilateral exchange rate which is a weighted average of exchange rates of home and foreign currencies, with the weight for each foreign country equal to its share in trade. It measures the average price of a home good relative to the average price of goods of trading partners, using the share of trade with each country as the weight for that country. The interpretation of the effective exchange rate is that if the index increases, the purchasing power of that currency is higher (the currency strengthened against those of the country's or area's trading partners). A lower index means that the currency depreciated (devaluation) so that you need more of that currency to pay for imports.

16.20. The trade weighted index is an economic instrument used by economies to compare their exchange rate against those of their major trading partners. Those trading partners that constitute a larger portion of an economy's exports and imports receive a higher index. The trade weighted index is used to make a complete comparison between one economy's currency and currencies of the other economies it interacts with. Thus, at any rate, a trade-weighted currency index is a useful measure to aggregate diverging trends among currencies of a country's trading partners.

Weighting Scheme for the TWI

16.21. The basket of currencies selected for inclusion in the TWI was chosen in such a way that they covered at least 75 per cent of Kenya's two-way merchandise trade of imports/exports. A total of 16 currencies (including Euro used by 6 countries, namely; Germany, France, Switzerland, Netherlands, Belgium and Italy, in the Euro zone) were chosen to represent 21 countries.

16.22. Taking 2009 as base year, a Paascherized-Laspeyres formula was applied. Therefore, the Trade Weighted Exchange Rate Index (TWI) also referred to as the Trade Weighted Fisher's Ideal Index was computed by taking the Geometric Mean of both Laspeyres and Paasche's exchange rate indices:

$$P_{oi}^{F} = SQRT\left(P_{oi}^{La} X\, P_{oi}^{Pa}\right)$$

Changes in TWI for the 1982 and 2009 Base Years

16.23. In 1982, the currencies for 21 countries were included in the TWI. Likewise, the new basket on 2009 base year included currencies for 21 countries. However, the composition of the currencies in the latter basket has changed significantly due to a shift in the trading patterns which resulted in changes in the weights of the major trading currencies. Despite the steady decline in the importance of Kenya's two-way trade with Euro area and the United Kingdom, Europe the second largest trading region after Asia. As shown in Table 16.4, the Euro takes the largest weight in the TWI. This could be attributed to the fact that most countries in the Euro Zone use Euro as a universal currency unlike countries in Asia which transact in their different currencies. Out of the 21 selected countries, the relative importance of the Kenya's trade with Euro area and the United Kingdom remains highest vis-à-vis other countries even though their combined weight declined from 64.4 per cent in 1982 to 23.7 per cent in 2009. This is as

a result of exclusion of some currencies in the TWI whose weight has declined drastically as compared to the situation in 1982. Australian Dollar, Danish Kronor, Norwegian Kroner, Zambian Kwacha, Burundi Franc and Canadian Dollar have been excluded from the new basket of currencies while United Arab Emirates Dirham, South African Rand, Saudi Riyal, Egyptian Pound, Tanzania Shilling, Uganda Shilling, Swedish Kroner and Congolese Franc have been included.

Table 16.4: Weights in the Trade-Weighted Index (%), 1982 and 2009

Currency	1982	2009
1 Euro[2]	38.4700	14.8967
1 US Dollar	11.1700	7.9042
1 Pound Sterling	25.9500	8.8300
1 UAE Dirham		11.7636
1 Indian Rupee	2.0900	10.3525
1 Chinese Yuan		9.0209
1 SA Rand		8.6847
100 Japanese Yen	9.1800	5.9840
1 Saudi Riyal		3.3897
1 Egyptian Pound[1]		2.5166
TSh/KSh		4.4390
1 Pakistan Rupee[1]	1.6800	2.6853
1 Swedish Kroner	2.3600	1.0233
1 Canadian Dollar	2.2600	
USh/KSh		5.9349
1 Zambian Kwacha[1]	0.4100	
1 Congolese Franc		1.4294
100 Rwanda Francs[1]	3.0200	1.1451
100 Burundi Francs[1]	1.6900	
1 Norwegian Kroner	0.4200	
1 Danish Kronor	0.7300	
1 Australian Dollar	0.5700	
Total	**100.0000**	**100.0000**

Source: Central Bank of Kenya

[1]Via US $ Exchange Rates (DR Congo, Egypt, Pakistan, Zambia, China, Rwanda and Burundi)

[2] Countries in the Euro area included in the computation of Trade Weighted Fisher's Ideal Index Germany, France, Switzerland, Netherlands, Belgium and Italy.

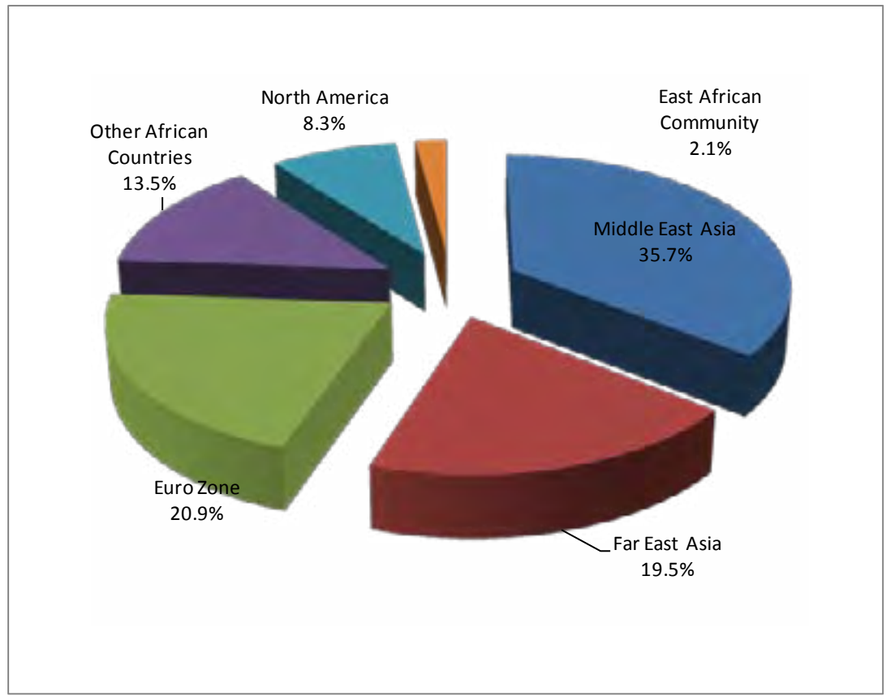
NB: Blanks imply that the currencies were not included in the basket for computation of TWI

Import and Export Shares

16.24. The trade weights discussed above were based on the sum of Kenya's exports and imports to determine the overall two-way trade linkages with other countries. However, Kenya's pattern of trade varied widely in the relative regional composition of exports and imports. While some regions were clearly major trading partners because they were important export destinations, it does not necessarily mean that the region was an important source of imports. The converse is generally true of regions that were important trading partners principally due to their dominance in supplying imports to Kenya. ***(See Annex 16.4: Kenya's Exports and Imports (2009) by Country for TWI).***

16.25. Based on the data used to construct the latest trade weights, the Middle East Asia, Euro Zone and Far East Asia were the most important sources of Kenya's imports, accounting for 35.7, 20.9, and 19.5 per cent of total imports, respectively (Figure 16.1). The share of Kenya's imports from Other African Countries and North America was 13.5 per cent and 8.3 per cent, respectively. Kenya imported 2.1 per cent of the total imports from the East African Community, The major commodities imported from the Asian region were petroleum oils, machinery and transport equipments (motor vehicles, telephone for cellular network or for other wireless network, machines for reception conversion and transmission motor cycles, electric conductors), manufactured products of iron or non-alloy steel, chemicals (medicaments) and rice. Kenya's imports from the Euro Zone were aircrafts and parts thereof, machinery and transport equipment (tractors, motor vehicles, machines for reception conversion and transmission), smart cards and petroleum oils. From North America, Kenya imported mainly aircrafts (helicopters and aeroplanes), chemicals (minerals and chemical fertilizers, and medicaments), cereals (maize corn, grain sorghum and wheat), worn clothing and margarine.

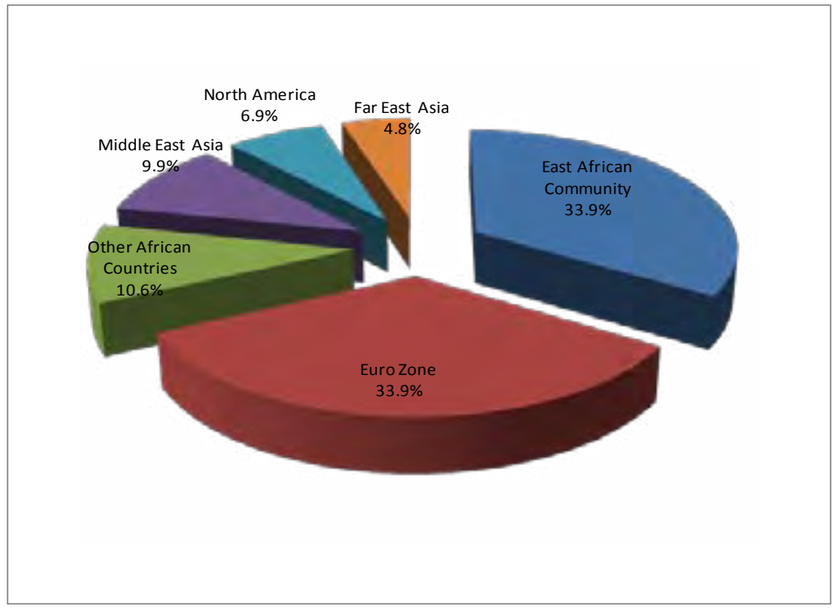
Figure 16.1: Import Shares, 2009



16.26. Kenya's most important destinations for exports were East African Community (EAC), Euro Zone and Other African Countries, accounting for 33.9, 33.9 and 10.6 per cent of total exports, respectively, in 2009 (Figure 16.2). The Other African Countries include Egypt, Democratic Republic of Congo and South Africa. The share of Kenya's exports to Middle East Asia, North America and Far East Asia was 9.9, 6.9, and 4.8 per cent, respectively, in 2009. The principal exports to EAC were petroleum products, cement, chemicals (medicaments, salt/sodium chloride), manufactured tobacco products (cigars, cigarettes, cheroots and cigarillos), palm oil and its fractions, and manufactured goods (table/kitchen and other household

articles). The main Kenya's exports to Euro Zone were tea, coffee, horticultural products (cut flower, flower buds and vegetable products), fish and manufactured products (tanned/crust hides and skins).

Figure16.2: Export Shares (2009)



Annex 16.1: Price Indices, 2006-2011 (Old Series Spliced to New Series, Base Period 2009=100)

	2006	2007	2008	2009	2010	2011
EXPORTS:						
Food and live animals	75	72	85	100	124	190
Beverages and tobacco	65	98	99	100	102	111
Crude materials, (inedible)	80	87	99	100	132	139
Mineral fuels	87	91	124	100	101	157
Animal and vegetable oils and fats	45	61	81	100	111	218
Chemicals	66	66	89	100	79	106
Manufactured goods	86	69	83	100	112	121
Machinery and transport equipment	78	77	82	100	100	105
Miscellaneous manufactured articles	92	122	96	100	79	86
All Exports	**79**	**78**	**93**	**100**	**111**	**150**
Non-oil Exports	**78**	**76**	**88**	**100**	**114**	**150**
IMPORTS:						
Food and live animals	80	55	65	100	104	146
Beverages and tobacco	55	72	68	100	98	103
Crude materials, (inedible)	89	88	89	100	120	204
Mineral fuels	103	111	113	100	118	157
Animals and vegetable oils and fats	54	76	93	100	104	160
Chemicals	75	80	101	100	90	119
Manufactured goods	85	96	100	100	98	171
Machinery and transport equipment	99	96	101	100	105	109
Miscellaneous manufactured articles	55	73	83	100	100	112
All imports	**90**	**93**	**100**	**100**	**107**	**138**
Non-oil Imports	**85**	**86**	**94**	**100**	**102**	**129**

Annex 16.2: Terms of Trade, 2006-2011 (Old Series Spliced to New Series, Base Period 2009=100)

DESCRIPTION	2006	2007	2008	2009	2010	2011
All Items	87	85	94	100	104	109
Non-oil Items	91	89	94	100	111	116

Annex 16.3: Quantum Indices, 2006 - 2011 (Old Series Spliced to New Series, Base Period 2009=100)

	2006	2007	2008	2009	2010	2011
EXPORTS:						
Food and live animals	97	110	113	100	104	76
Beverages and tobacco	103	80	87	100	106	149
Crude materials, (inedible)	88	90	108	100	77	97
Mineral fuels	145	90	70	100	118	98
Animal and vegetable oils and fats	94	97	100	100	152	112
Chemicals	78	104	126	100	134	143
Manufactured goods	90	124	128	100	106	130
Machinery and transport equipment ..	72	93	100	100	118	132
Miscellaneous manufactured articles .. .	102	79	110	100	139	166
All Exports	**93**	**102**	**107**	**100**	**106**	**99**
Non-oil Exports	**91**	**104**	**113**	**100**	**104**	**98**
IMPORTS:						
Food and live animals	40	79	85	100	75	78
Beverages and tobacco	116	125	175	100	156	222
Crude materials, (inedible)	76	101	102	100	100	72
Mineral fuels	73	69	110	100	106	137
Animals and vegetable oils and fats	115	112	134	100	136	134
Chemicals	94	94	98	100	138	141
Manufactured goods	85	93	102	100	132	107
Machinery and transport equipment .	69	83	90	100	117	127
Miscellaneous manufactured articles ..	119	129	109	100	122	143
All imports	**73**	**83**	**98**	**100**	**112**	**121**
Non-oil Imports	**75**	**89**	**96**	**100**	**116**	**119**

Annex 16.4: Kenya's Exports and Imports (2009) by Country for TWI

Country	Currency	Value (KSh Million)			%-ge Share
		Exports	Imports	Total Volume	
UNITED ARAB EMIRATES	1 UAE Dirham	10,716	89,709	100,425	11.7636
INDIA	1 Indian Rupee	5,137	83,243	88,379	10.3525
CHINA	1 Chinese Yuan	2,487	74,524	77,011	9.0209
UNITED KINGDOM	1 Pound Sterling	38,496	36,885	75,382	8.8300
SOUTH AFRICA	1 SA Rand	3,580	70,561	74,141	8.6847
UNITED STATES OF AMERICA	1 US Dollar	17,422	50,056	67,478	7.9042
JAPAN	100 Japanese Yen	2,228	48,857	51,085	5.9840
UGANDA	USh/KSh	46,240	4,426	50,666	5.9349
NETHERLANDS	1 Dutch Guilder	26,331	17,444	43,775	5.1277
TANZANIA	TSh/KSh	30,087	7,809	37,896	4.4390
GERMANY	1 Deutsche Mark	7,351	22,729	30,081	3.5236
SAUDI ARABIA	1 Saudi Riyal	1,415	27,522	28,938	3.3897
PAKISTAN	1 Pakistani Rupee	15,172	7,753	22,924	2.6853
EGYPT	1 Egyptian Pound	11,885	9,599	21,484	2.5166
FRANCE	1 French Franc	4,250	15,885	20,135	2.3586
ITALY	100 Italian Lira	2,417	13,889	16,306	1.9100
DEMOCRATIC REP OF CONGO	1 Congolese Franc	11,324	879	12,203	1.4294
BELGIUM	1 Belgian Franc	3,390	7,044	10,434	1.2222
RWANDA	100 Rwanda Francs	9,536	240	9,776	1.1451
SWEDEN	1 Swedish Kroner	2,497	6,239	8,736	1.0233
SWITZERLAND	1 Swiss Franc	1,054	5,388	6,442	0.7546
Sub-Total		**253,014**	**600,682**	**853,697**	**100.0000**
Total for All Exports and Imports		**344,949**	**788,097**	**1,133,046**	
%ge Share of the Selection[1]		**73**	**76**	**75**	

1Percentage Share total for the selected countries for TWI